

Public Utilities

FORTNIGHTLY

Volume XLVIII No. 8



October 11, 1951

A LADY COMMISSIONER LOOKS AT REGULATION

*An Interview with the Honorable Hortense Fuld Kessler
Member, New Jersey Board of Public Utility Commissioners*

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Soldiers of Public Service

By Henry F. Unger

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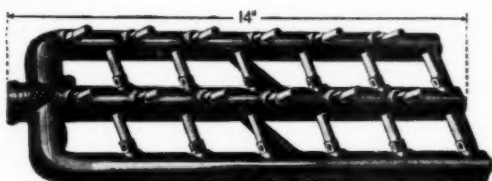
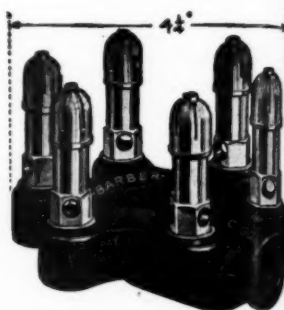
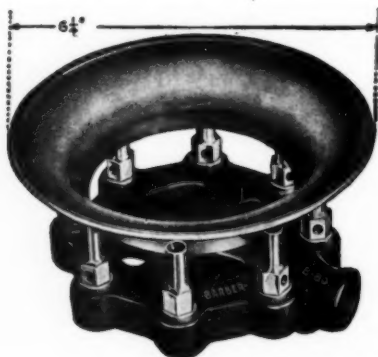
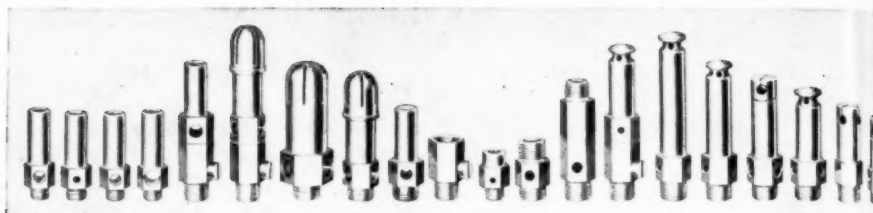
The Great Public Power Myth

By Charles Tatham, Jr.

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Depreciation or Depredation

By Henry W. Coil



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Public Utilities

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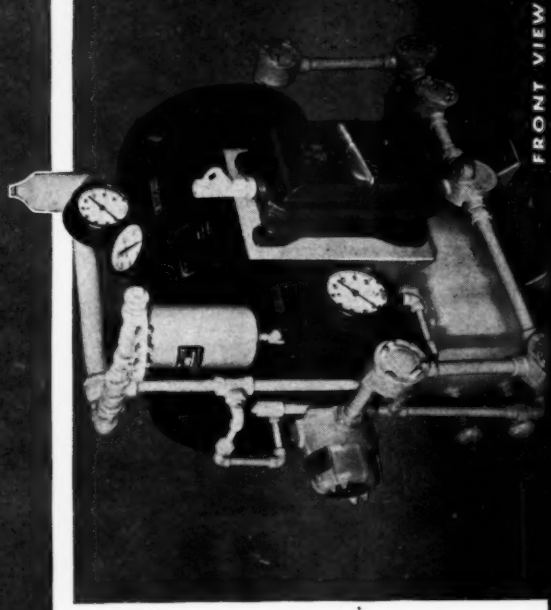
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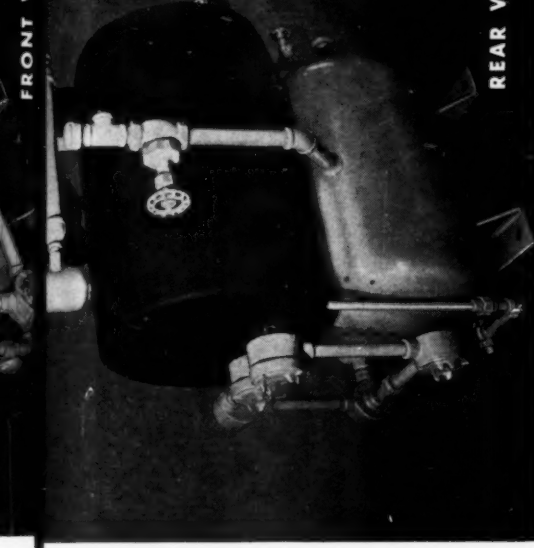
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FRONT VIEW



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Pages with the Editors

It is pretty hard these days to discover any calling in which the fair sex has not entered. Scarcely a day passes when we fail to get news of attractive lady plumbers, steam fitters, steeple jacks, and other industrial callings usually associated with might and brawn. Of course, we have become quite accustomed to lady wrestlers and other sports activity.

ALL of which would be quite pleasant information, we are sure, to the late and great Frances Willard, who once said that there isn't anything a man can do that a woman couldn't do, provided she wanted to do it. It was only a matter of preference, not of ability. Turning to the field of somewhat more intellectual activity, it might seem a little strange offhand to consider that many professional women would actually have a preference for the regulation of public utilities. This commentary is not by way of raising any questions on either side. As we all know, the post of regulatory commissioner is an esteemed and valuable calling.

BUT somehow, with all the influx of talented ladies into public life and the



HENRY F. UNGER

learned professions since the great emancipation which began with the twentieth century, there have been only three ladies, as far as we have been able to ascertain, who have served as commissioners; and these have been pretty well spaced. It was more than two decades ago when the first lady commissioner took the oath of office on what was then called the Florida Railroad Commission. Nearly a decade ago another lady was appointed to the Michigan commission. Both of these served with distinction.

TODAY the only lady in the field of state commission regulation is the person who has graciously consented to a personal interview with our professional writer, Larston D. Farrar of Washington, D. C. This interview with the HONORABLE HORTENSE FULD KESSLER of the New Jersey commission is the leading article in this issue.

OF course, we purposely made the distinction between state commission regulation and Federal regulation. We still have, for a short while at least, the benefit of the services of the Honorable Freida Hennock of the Federal Communications Commission. But Miss



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HORTENSE FULD KESSLER

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Henlock—and this doubtless is a tribute to the effectiveness of lady commissioners—already has been appointed by President Truman to the Federal bench, and so her days as a commissioner are perhaps numbered.

* * * *

IT is a truism of modern civilization that heroism is where you find it. The old ideas of chivalry glorified in the Victorian novels and Wagnerian operas which recognized heroism principally on the battlefield, would hardly fit in to the pattern of complex life we lead today.

The telephone operator who stays at her post through flood or fire, the lineman who braves a howling hurricane to restore service, and other utility employees who risk and sometimes sacrifice their lives to save others, are heroes just as surely as if they had braved enemy fire. In this issue we present (beginning on page 477) an account of these modern "soldiers of public service."

HENRY F. UNGER, professional writer of Washington, D. C., author of this article on the heroism of utility employees, is a native of Cleveland, Ohio, who was educated at John Carroll University and the University of Western Ontario (BA). During World War II he served with both the Army and the Navy, mainly on service publications. His articles have appeared in such maga-



CHARLES TATHAM, JR.

OCT. 11, 1951



HENRY W. COIL

zines as *The Saturday Evening Post*, *Coronet*, *Pageant*, *This Week*, *Argosy*, *Better Homes and Gardens*, *Popular Mechanics*, and other periodicals.

* * * *

CHARLES TATHAM, JR., whose article on "The Great Public Power Myth" begins on page 486, is the vice president of Institutional Utility Service, Inc., New York. He was educated in Switzerland and at Harvard College, and began his professional career with the investment counsel firm of Loomis, Sayles & Co. in Boston. He subsequently served with the Central Hanover Bank & Trust Company as a utility analyst, joining his present organization in 1944.

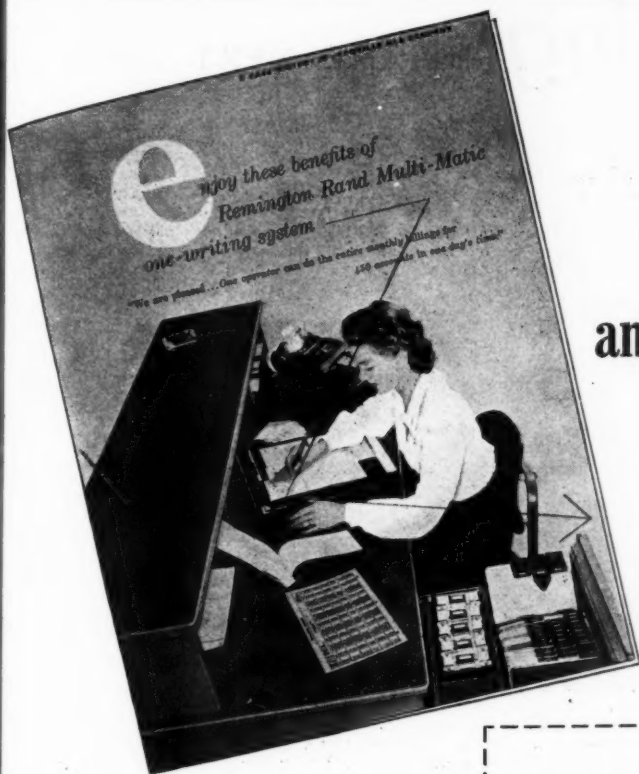
* * * *

HENRY W. COIL, whose article on depreciation begins on page 492, is general counsel for the California Electric Power Company, which he joined in 1918. Mr. COIL was born in Denison, Texas, and was educated at Colorado College and Denver Law School. He is a member of the bar in both Colorado and California. He makes his home in Riverside, California.

THE next number of this magazine will be out October 25th.



The Editors



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Gas Industry Advances Despite Obstacles

Facing multiple complications growing out of the defense emergency, the progress of the gas industry is clearly demonstrated by its current record of expansion. Temporary obstacles, such as steel shortage, are regarded as challenges rather than barriers. Here is an inspiring and exclusive message by a resourceful industry leader, D. A. Hulcy, president of the American Gas Association.

The Gas Industry and PAD

The Federal official responsible for the administration of defense material controls as they affect the natural gas industry explains the organization of the control machinery set up by the Petroleum Administration for Defense. He is C. P. Rather, assistant deputy administrator for gas of the Petroleum Administration for Defense and also career gas industry executive.

State versus Federal Control of Natural Gas

About the only important change of interest to utilities in the 1951 edition of the revision of the Defense Production Act was the so-called "Bow amendment" permitting state regulatory commissions to handle the distribution of natural gas in their own areas in the event of supply shortage. The author of this legislation explains its background and purpose and the intent of Congress in approving it. He is Representative Frank T. Bow, Republican member from Ohio.

Is Gas Rate Regulation Realistic?

With the declining value of the dollar, both the regulators and the regulated are asking questions about the equity of our prevailing system of fixing public utility rates. Stuart M. Crocker, chairman of the board of The Columbia Gas System, Inc., has written a thought-provoking analysis of gas industry problems in the field of rate regulation.

Rate and Financing Problems of Gas Industry

What are the factors which must be considered in fixing a return sufficient to assure confidence in the financial integrity of gas utility enterprise, so as to maintain its credit and attract capital? Walter J. Herrman, vice president of the Southern California Gas Company, has analyzed this exacting question and has spelled out some interesting answers.

Natural Gas As a Chemical Raw Material

The doctrinaire liberals of the 1930's advocated a "planned" or restricted economy on grounds that America's industrial frontiers were exhausted. They reckoned without industrial resourcefulness which has made the chemical by-products of natural gas—taking a single example—as important as the original basis for development. Gerard M. Ives, vice president of the Guaranty Trust Company of New York, has written a clear and exciting review of this modern magic and its thrilling future potentialities.

The Safety Regulation of High-pressure Gas Pipelines

Conflict between national and local regulation has appeared in the field of safety control for high-pressure gas pipelines. Bills before Congress and the state legislatures point up the need of a practical and co-ordinated approach. Coleman Farrell, New York business writer, tells the story of how and why local communities look to the operation of such pipelines, according to minimum standards of all national safety codes.

Underground Gas Storage Up to Date

Long before the atom bomb entered anybody's nightmares, gas utilities were working on practical plans for buying up holes in the ground. Today, underground storage of gas is an accepted fact. Larston D. Farrar, professional writer of Washington, D. C., reviews the interesting developments in this special field of operation.



Also . . . Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.

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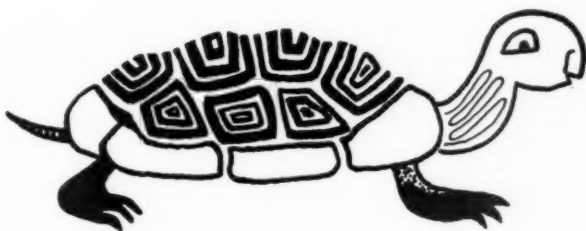
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How old is he?

ALL tortoises are *not* the same age.

One may be a mere youth of 25.

Another may be nearing the century mark.

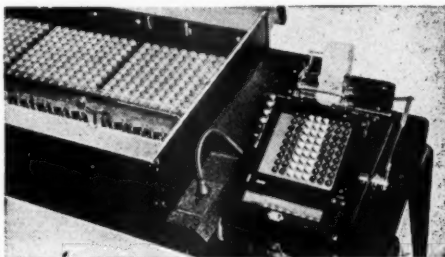
Tortoises are running around in a variety of age groups. Customers' bills vary numerically, too. Some run to much higher figures than others.

A helpful approach

In planning rate and promotional programs, it's most helpful to know, periodically, the number of customers' bills in *various* kilowatt-hour classifications.

Many utilities have such analyses prepared for them by the Recording and Statistical Corporation in its specially designed Bill Frequency Analyzer. This electric-mechanical equipment analyses as many as 200,000 bills each day, and the cost is less than if the work were done by a clerical force.

Would you like the facts about this economical method of compiling usage data? Then write today for "The One Step Method of Bill Analysis." We think you will find it very worthwhile.



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Remarkable Remarks

"There never was in the world two opinions alike."

—MONTAIGNE

THOMAS W. PHELPS
*Assistant to the chairman,
Socony-Vacuum Oil Company, Inc.*

"The oil industry is a progressive business, and government controls inhibit new ideas."

CHARLES R. SLIGH, JR.
*Chairman, taxation committee,
National Association of
Manufacturers.*

"I do not fear Communism as much as the more insidious system—creeping Socialism."

RAYMOND MOLEY
Associate editor, Newsweek.

"This country is rich enough to give all that anybody needs, but not rich enough to give all that anybody wants."

W. STUART SYMINGTON
*Chairman, National Security
Resources Board.*

"If we do not first attain, and then maintain, adequate strength, there is sure to be another war and America is sure to lose."

WILLIAM H. RUFFIN
*President, National Association of
Manufacturers.*

"Every unnecessary dollar we permit government to spend becomes an unnecessary degree of power we have surrendered to government."

EDITORIAL STATEMENT
The Detroit News.

"Left alone, labor union monopoly must take us to Socialism by a route just as sure and direct as that charted by unrestrained business monopoly."

Excerpt from "Survey,"
*published by Guaranty Trust
Company.*

"The dollar's stability must be safeguarded, or the system of collective security will fail. The defense of freedom is impossible without successful defense of the dollar."

LEWIS HANEY
*Professor of economics,
New York University.*

"The main question is this: Is the Federal government to be forced to economize and reduce its spending, or is it to go ahead on the pump-priming theory and develop further in the direction of being a 'welfare state'?"

GEORGE W. MALONE
U. S. Senator from Nevada.

"The American economic system was abandoned by the New Dealers in their whirling dervish maneuvers to appeal to all those who want something for nothing. The something-for-nothing philosophy has not panned out. It was politically successful, but economically suicidal."

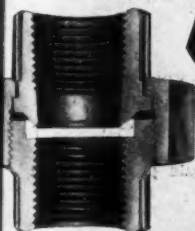
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REMARKABLE REMARKS—(Continued)

HAROLD L. BACHE
Senior partner, *Bache & Company.*

"Make a stockholder and you lose a possible Communist."

OLIN D. JOHNSTON
U. S. Senator from
South Carolina.

"I'm appalled to find that little serious effort is being made since the outbreak of the Korean war to prevent overstaffing and eliminate nonessential activities in government."

NOAH M. MASON
U. S. Representative from Illinois.

"Jobs and taxes are Siamese twins; they are tied together. They are closely related and cannot be separated. High tax rates mean a contracting national economy, fewer jobs, and increasing unemployment."

FRANK B. WARD
Acting dean, University of
Tennessee College of Business
Administration.

"Communists call their system democracy, but what they mean is revolutionary democracy which is dictatorship by the Communist party. Analyze their double talk and their definition is: Democracy is an absolute despotism with a few free men at the top and various degrees of slavery beneath."

EDITORIAL STATEMENT
Somerset (Pennsylvania)
Daily American.

"The President tells us that there is great need for the expansion of electric power. That has been the story for fifty years. The expansion of electric power plants by private industry has been slowed down by government hobbles. Removal of the hobbles would probably result in provision of abundant power."

GRAHAM PATTERSON
Publisher, *Pathfinder News*
Magazine.

"If we want good government, we should at least be willing to go to a little trouble to insure it by letting our elected representatives know how we feel about important issues. If we let them know how we want them to vote, they will vote that way, because they know that if they don't, we will elect someone who will."

DAVID LAWRENCE
Columnist.

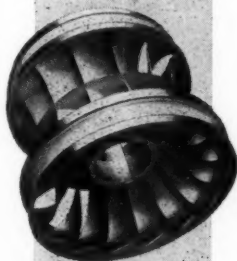
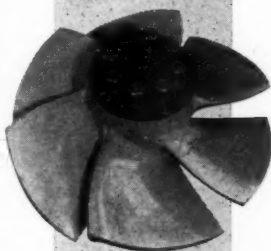
"The contrast between the attitude of a private business facing a financial stringency and the attitude of government is striking indeed. A private business has no compunctions about eliminating waste and luxuries when the time comes to balance the budget. But the Federal government under analogous circumstances doesn't cut till it hurts—it rarely cuts at all."

L. A. BOMEL
President, *National Dairy*
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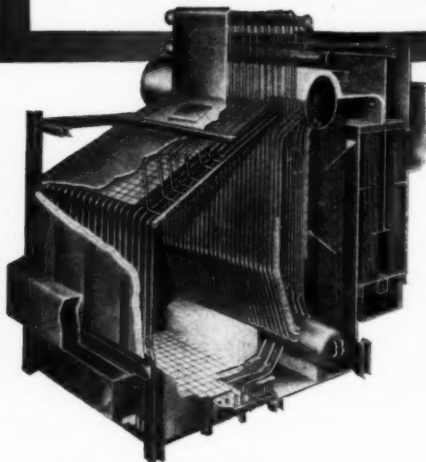
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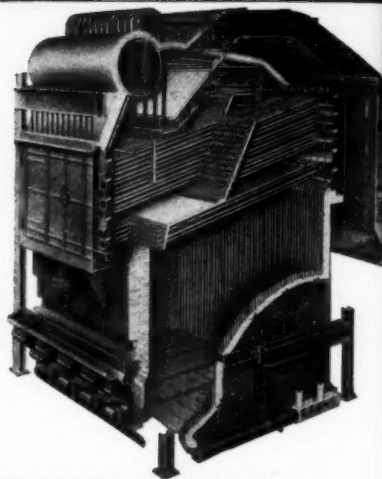
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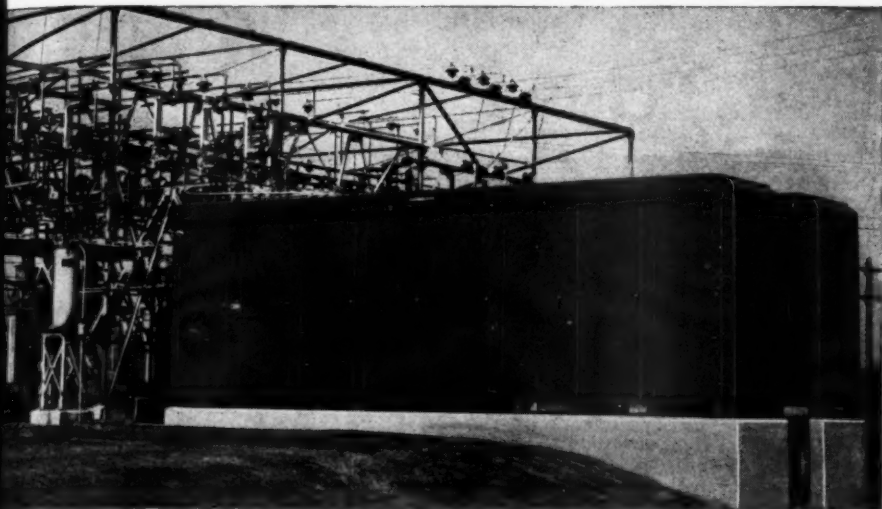


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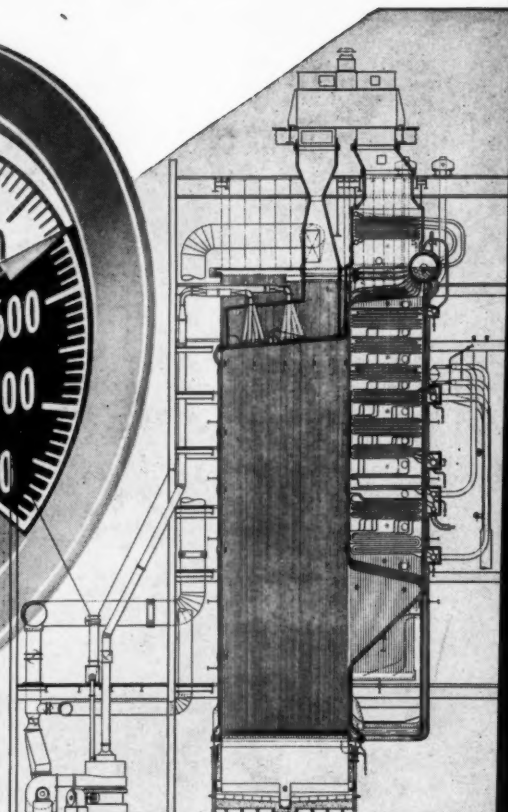
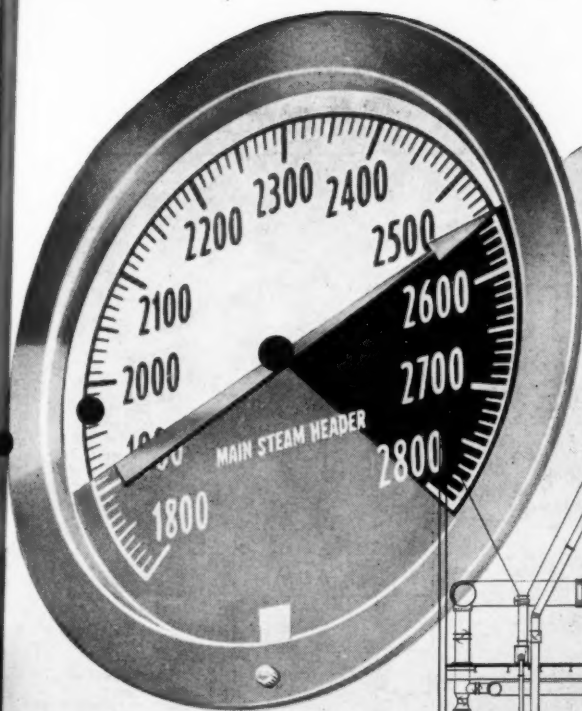
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Since 1926, when boiler design pressures first entered the 1400-2500 psi range, B&W has been identified with this presently popular trend toward greater steam-cycle efficiency. This accumulative 25-year experience with natural circulation at the higher operating pressures helps explain why, as the chart shows, B&W high-pressure boilers were preferred for new generating capacity of approximately six million kw during 1950 alone . . . why so many power companies consult B&W first on high-pressure steam requirements with all fuels and firing methods.

Helping America's electric companies to keep power costs down is an 83-year tradition with B&W . . . currently evident in such developments as Cyclone-firing, Pressurized Furnaces, and Gas Recirculation. You'll want to learn the details of these significant features as they relate to your own company's future requirements. The Babcock & Wilcox Company, 85 Liberty Street, New York 6, N. Y.



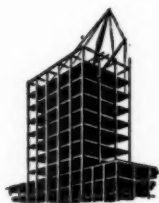
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AN ARCHITECT GOT A MONEY-MAN TO ADMIT,

"I never thought of floors in relation to earning power"

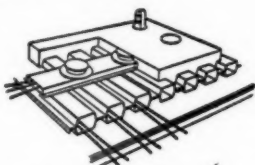


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Q-Floor is steel subfloor, delivered pre-cut. Two men can lay 32 sq. ft. in 30 seconds. Construction is dry, incombustible. The Q-Floor is immediately used as platform-by other trades. No delay for wet materials. No forms, no falsework, or fire hazard. Even when steel is slow in delivery, steel is still faster. You must allow time for demolition and excavation. By that time, the steel is ready. Steel construction gives a faster completion date. Completion time, not starting time, determines how soon your investment pays off.



Why Q-Floor keeps a building modern.

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"Floors are such a small fraction of total cost, one tends to forget that floor space is actually what a building is for. You say a steel Q-Floor costs less than the carpet to cover it? Yet it provides electrical availability over the entire exposed area of the floor. And the steel construction, being dry, reduces building time 20 to 30%. These are factors any investor can easily translate into terms of money saved. They mean more revenue over the years and earlier revenue right from the start. Let's look at the details—"

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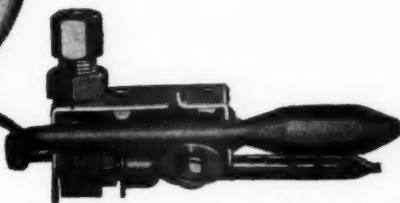


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Besides, Gasapack gives you complete flexibility in design and application. Select the manual control — and add either the Electric Top or Thermostatic Top any time. Or supply your unit with either automatic control, as you desire.



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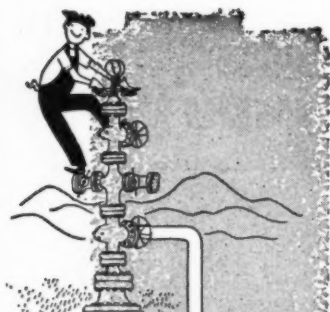
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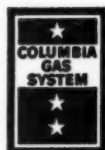
• Milwaukee 45, Wisconsin

In Canada: A-P Controls Corporation, Ltd., Cooksville, Ontario

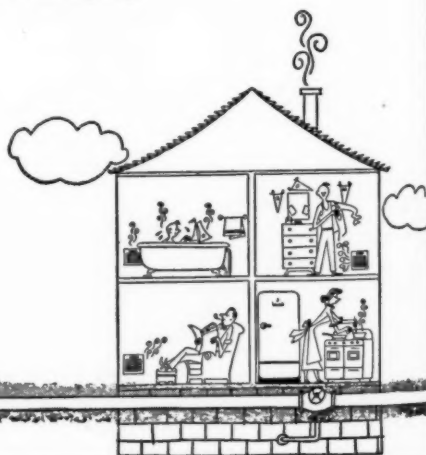


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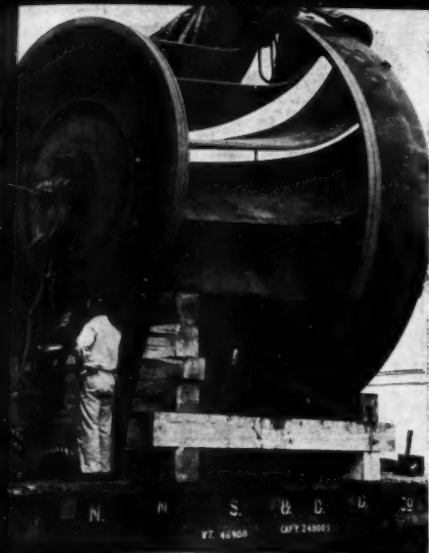


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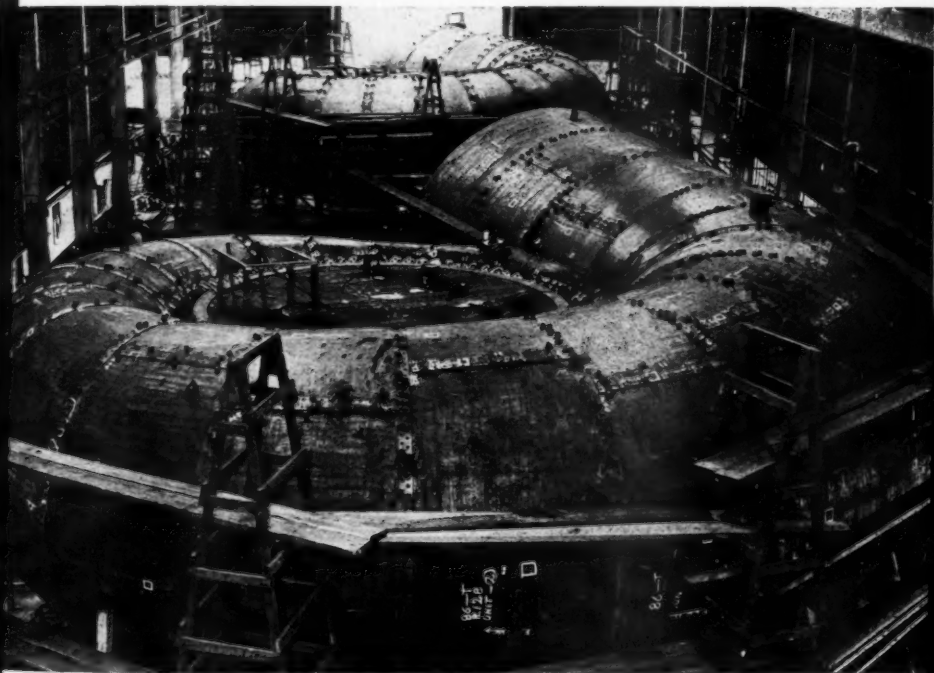
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Gas Guardians!



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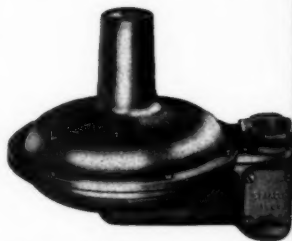
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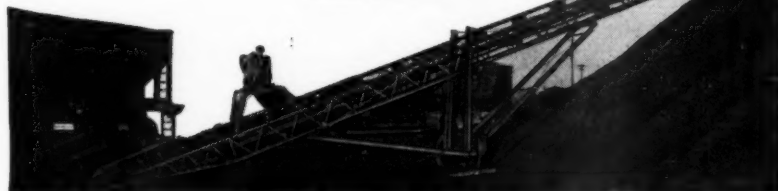
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**ONE MAN
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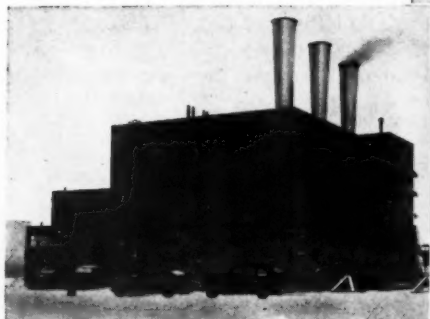
This, the Barber-Greene 374 Portable Conveyor, has the capacity of many permanent conveyors, yet it can be towed easily behind a truck to wherever you have a bulk materials moving problem. Easily operated by one man, it can cut car unloading costs as much as 90%. Write for bulletins on the B-G equipment which interests you.

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Power house of Ford Motor Company's Buffalo Stamping Plant, Lackawanna, N. Y., equipped with Exide-Manchex Batteries for switchgear operation and emergency lighting.

Exide-Manchex PROVIDES BATTERY POWER AT FORD'S BUFFALO STAMPING PLANT

Efficiency of operation and equipment is characteristic of all departments of the great Ford Motor Company organization. Thus it is significant that the battery selected for the power house of their Buffalo Stamping Plant is an Exide-Manchex. This is the third Exide-Manchex at this plant, each a 120-cell DME-9A battery.

Throughout the country, in public and private power plants of all sizes, the Exide-Manchex is daily proving its dependability, long life, and economy. In Exide-Manchex Batteries you get:

POSITIVE OPERATION: Dependable performance at ample voltage with no switching failures.

INSTANTANEOUS POWER: High rates for switchgear operation with adequate reserve power for dependable performance of all other control circuits and also emergency lighting.

LOW OPERATING COST: Extremely low internal resistance.

LOW MAINTENANCE COST: Water required about twice a year. No change of chemical solution, needed during life of battery.



Bank of 120-cell DME-9A Exide-Manchex Batteries mounted on Exide 3-step #37333 rack.

LOW DEPRECIATION: Sturdy, long-life construction.

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Exide first produced Lead Calcium Batteries in 1935. Since that time we have progressively followed an extensive program of laboratory research and development along with a study of Exide Lead Calcium Batteries in actual service.

Much has been learned during those 16 years. Though the time is too short to specifically predict length of battery life, definite conclusions have been reached regarding proper application. We will be glad to inform you where these cells can satisfactorily serve.

THE ELECTRIC STORAGE BATTERY CO.
Philadelphia 2

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1888...DEPENDABLE BATTERIES FOR 63 YEARS...1951

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With extensive damage in a critical wing area, this fighter interceptor returned safely to its Korean base.

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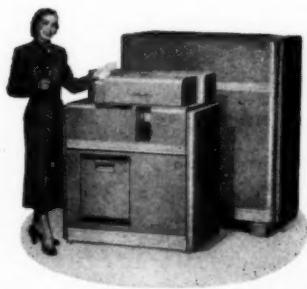


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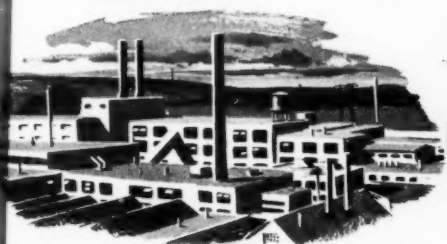


From one Main Street to another the story's the same! Actually almost everything this country produces requires coal—coal to make steel, to run factories and railroads, to generate immense quantities of electric power, to heat stores, hospitals, apartments. And perhaps *your home* is one of the 14 million that rely on the steady, healthful heat that bituminous coal provides!

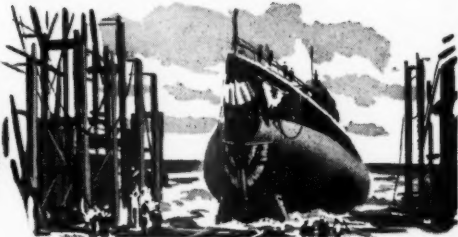
From East Side to West Side... your town takes a lot of Coal!

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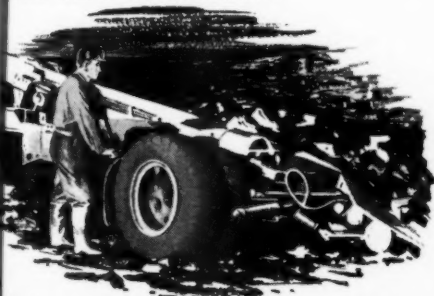
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This factory is typical of the thousands of plants that turn out everything America needs. It gets its power from coal—America's #1 steam fuel—for coal is practically everywhere the most economical power source. And today, automatic controls, automatic coal and ash handling apparatus net even larger savings—minimize dramatically the inconveniences associated with older installations.



From periscope to keel it took 800 tons of coal to make the steel that went into this sub! Today more and more coal is needed for national defense. Thanks to America's vast coal reserves and the great degree of mechanization that mine operators have developed in mining and preparing coal—rearmament will get the coal required without a pinch on the home front!



Machines like this giant loader have given the American miner a daily output 4 to 24 times that of any miner in Europe or Asia. Today, the American miner is actually a skilled machine operator. Fully 98% of all American coal is mechanically cut—about 75% mechanically loaded.

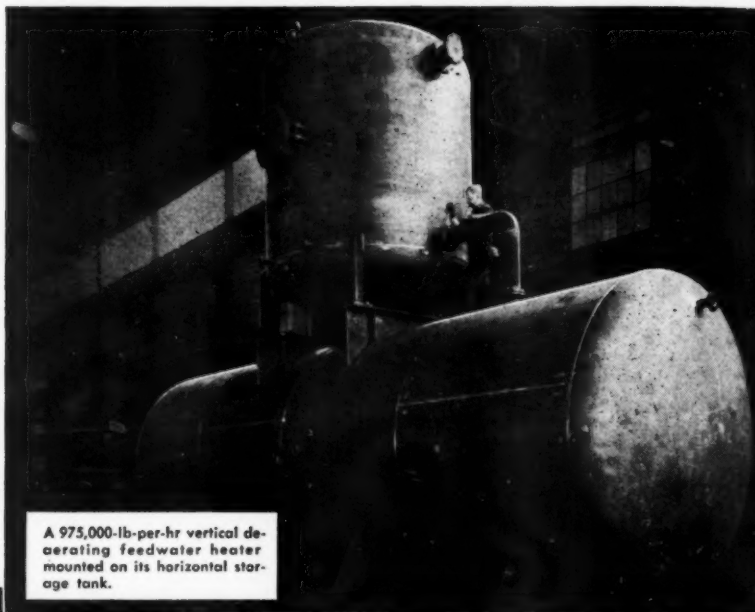
In their constant search for a better and more economical coal product the managers of this country's 8,000 mines have invested hundreds of millions of dollars in research—in modern machinery—in finding and developing new mine properties. As a result, today's output per man in America's coal mines is more than 32% greater than in 1939—one of the greatest efficiency gains in American industry. *This nation can count on her privately managed coal companies for all the coal it needs to stay strong—to become stronger!*

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A DEPARTMENT OF NATIONAL COAL ASSOCIATION
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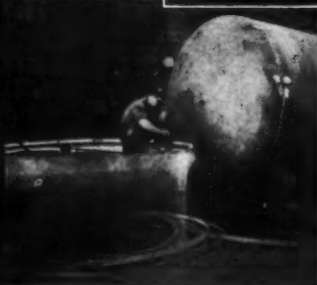
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FOR LOW COST YOU CAN COUNT ON COAL!**

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A 975,000-lb-per-hr vertical deaerating feedwater heater mounted on its horizontal storage tank.



Scarfig a head, preparatory to fit-up and welding.

A.S.M.E.-approved automatic welding is used wherever possible in deaerating heaters and storage tanks.

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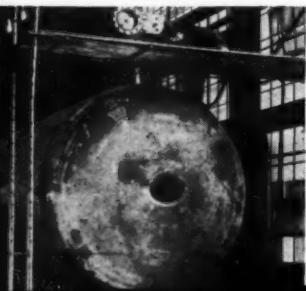
are (and always have been) distinctly and strictly an Elliott product, built throughout in Elliott shops. We *know* every detail is *right*, before a unit is shipped . . . Elliott deaerating heaters require no maintenance. The tubular vent condenser of older designs is now replaced with an inlet spray unit and vent collecting hood located within the shell. Trays are of fabricated stainless steel. Non-corrodible metals are used wherever undeaerated water touches the metal. The latest developments in deaeration are fully covered in Bulletin N-16. Write for a copy.

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Utilities Almanack

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OCTOBER

♄

11	T ^a	† Association of Edison Illuminating Companies begins annual meeting, White Sulphur Springs, W. Va., 1951.	
12	F	† Pennsylvania Electric Association, Transmission and Distribution Committee, ends fall meeting, North East, Pa., 1951.	
13	S ^a	† International Association of Electrical Leagues ends annual conference, New Orleans, La., 1951.	
14	S	† The Institute of Internal Auditors, Inc., begins tenth annual conference, New York, N. Y., 1951.	☺
15	M	† American Gas Association begins annual convention, St. Louis, Mo., 1951. † United States Independent Telephone Asso. begins convention, Chicago, Ill., 1951.	
16	T ^u	† National Association of Railroad and Utilities Commissioners begins annual convention, Charleston, S. C., 1951.	
17	W	† International Association of Electrical Inspectors, Southern Section, ends meeting, Richmond, Va., 1951.	
18	T ^a	† National Association of Corrosion Engineers, South Central Region, begins meeting, Corpus Christi, Tex., 1951.	
19	F	† National Metal Congress and Exposition end, Detroit, Mich., 1951. † Public Utilities Advertising Association ends meeting, Cleveland, Ohio, 1951.	
20	S ^a	† Engineers Council for Professional Development ends 2-day meeting, Boston, Mass., 1951.	
21	S	† National Council of State Boards of Engineering Examiners begins meeting, Boston, Mass., 1951.	
22	M	† Independent Petroleum Association of America begins annual meeting, Houston, Tex., 1951.	☾
23	T ^u	† American Water Works Association, California Section, begins annual meeting, San Francisco, Cal., 1951.	
24	W	† New England Gas Association, Operating Division, begins one-day meeting, Worcester, Mass., 1951.	



U. S. Army photograph

Rigging Phone Wires in Korea

*Lineman of the 4th Signal Battalion fastening a jumper on lines
between Tanyang and Chechon.*

Public Utilities

FORTNIGHTLY

VOL. XLVIII, No. 8



OCTOBER 11, 1951

A Lady Commissioner Looks at Regulation

Mrs. Kessler, a New Jersey grandmother, is the first woman to be appointed to the regulatory commission of that state, the only woman utility commissioner in the United States, and one of the few lady commissioners in the history of American public utility regulation. Here is an informal account of her background and personal experiences since she was appointed by the governor of New Jersey two years ago.

An interview with
THE HONORABLE HORTENSE FULD KESSLER*
as told to Larston D. Farrar

IN early August, 1949, Alfred E. Driscoll, governor of New Jersey, called me on the telephone at our family farm in Macopin, New Jersey, about 30 miles from Newark, where we live during the summer. "Are you sitting down?" he asked.

I replied that I was not.

"Well, you'd better take a chair then," the governor said. "I want to know whether or not you will take the vacancy on the state public utility commission."

Like everyone else in New Jersey, I had been reading editorials and newspaper stories for many months about the possible identity of the new commissioner to be appointed to take

*For photograph, see "Pages with the Editors."

PUBLIC UTILITIES FORTNIGHTLY

the place of a deceased member. Since the two remaining commissioners were Republicans, it was generally accepted that a Democrat would get the appointment, because of the statutory requirement. But in all the thousands of words of speculation written for the newspapers, or voiced over the newscasts, neither my name nor that of any other woman had been mentioned. Again and again, I had read editorials suggesting that "a good *man*" ought to be appointed immediately. But so far as I—or anyone with whom I had discussed the subject—could recall, no one in New Jersey, outside the governor, ever considered that the "man" most likely to get the nod was a "woman." Only a few days before he called me, the governor had told the newsmen at a Trenton press conference that "I have not yet found the *man* for the job."

The shock caused me to forget both poise and grammar.

"Who me?" I squeaked.

THEN I heard him laugh and I regained my wits. I told him that I'd like to think about the idea for at least a day or two. He agreed that I ought to talk the whole matter over with my husband, Samuel I. Kessler, and my son, Richard, both of them my law partners.

The family decision was favorable, so the governor announced the appointment two days later. I took office on September 1, 1949.

Naturally, in the few days following the announcement, there was a flurry of wonderful letters from close friends, and, somewhat of a surprise, quite a few favorable editorials in the New Jersey newspapers. I had no idea,

until then, that so many editors—virtually all of them men, too!—seemed to think that a woman actually would be capable of analyzing annual reports, judging among several methods of computing cost figures for utilities, determining fair transit rate structures, and passing on the feasibility of using natural gas.

I believe my good friend, Sanford Bates, commissioner of the Department of Institutions and Agencies of the State, in one sentence of his congratulatory letter, put the gist of what many well-wishers were thinking:

"I hope you will get satisfaction and maybe some fun out of the new job," he wrote.

If this article is to be considered in the nature of an informal interim report, from the distaff side on a state regulatory commission, let me assure the men (and women) who have any interest in my experiences on such a board that it is a source of great satisfaction and no little fun. Fun, at least in the sense of a thrilling responsibility. It means serving in a quasi-judicial capacity on matters affecting virtually all of our daily lives. I need hardly labor the point that our modern civilization is so utterly dependent upon good, efficient, and economical utility service, that any departure from our present high standard would be unthinkable. I can only hope that I can live up to the kind editorial comments, of which I will quote two brief excerpts:

"GOVERNOR Driscoll's appointment of Hortense Fuld Kessler, Newark lawyer, to the public utility commission was surprising only in that this is the first time a

A LADY COMMISSIONER LOOKS AT REGULATION

woman has been named to this important body," the *Bergen* (New Jersey) *Record* commented. "The governor maintained the bipartisan balance of the commission, since Mrs. Kessler is a Democrat. She replaced the late Joseph A. Brophy, of Elizabeth, a Democrat . . . Governor Driscoll is in the habit of making excellent nominations after careful investigation of prospective appointees. This seems to be another good one."

I was particularly gratified to read the flattering editorials in both the morning and evening papers published in my native city of Paterson.

The *Paterson Morning Call* editorialized, in part:

The people of New Jersey are fortunate in the appointment of Mrs. Hortense Fuld Kessler, a native daughter of Paterson, as a member of the New Jersey public utilities commission, for her integrity and long experience in public work of various kinds highly qualifies her for this important position. . . . It is good to see our governmental leaders waking up to the fact that women are just as qualified and deserving as men to hold the highest public offices of the state and the nation. . . . Mrs. Kessler admirably proves that contention. We are confident she will prove one of the most conscientious and capable public utility commissioners the state of New Jersey has ever had.

My thought, on reading that last sentence, was that I wished I had as much confidence in myself as the writer of that editorial. When I went

to the New Jersey public utility commission offices at 1060 Broad street, Newark, to be sworn in, it was not the first time I had seen the building or had been in it. But my heart skipped several beats from the time I took the elevator until I walked into the sixth floor hearing room in which the ceremonies took place. I had the same feeling for several weeks until I became acclimated to my new associates and surroundings. Youngsters may take new faces and strange new tasks in stride—but we grandmothers get a few understandable butterflies in our stomachs when suddenly faced with unusual responsibilities which we know we must take seriously.

THE other members of the New Jersey commission are John E. Boswell, of Ocean City, president, and D. Lane Powers, of Trenton. They are both Republicans, but I can say definitely that the party line has never bothered either them or me in our work here. We get along fine. Thank goodness our problems transcend political planes.

The New Jersey Board of Public Utility Commissioners has a floor in one of Newark's largest office buildings. This includes the offices for the staff, conference rooms, and offices for the commissioners. It is all rather austere and businesslike, with the exception of my office, which I have tried to soften up just a little bit. The



Q "SOMETIMES, one has to allow rate increases in spite of the realization that the consumers who will be most vitally affected by the decision already are hard pressed and that the extra funds to meet such raises must come out of the average family budget."

PUBLIC UTILITIES FORTNIGHTLY

walls of my office here are covered mostly with utility location maps and a few pictures of friends. One picture of the commission, of which I am particularly fond, was taken last winter in the engineer's cab of a diesel locomotive. It was taken on the day the trials of the new electronic safety controls were held by the Pennsylvania Railroad. The trip was made from Penn station, Newark, to a point some seven or eight miles south, during which time the electronic controls were demonstrated to us.

Occupying a place of honor on my desk are photographs of my granddaughter, Jane Elizabeth Kessler. She is two and one-half now, and has an insatiable desire to be taken to a near-by railroad station to watch the trains go by.

I have some flowers from our garden on the desk. In spite of a losing battle with inch worms and Japanese beetles, I try to grow some of my favorite flowers in my spare time every year. I never tire of the view outside my window here on the sixth floor. It faces south, looking out over industrial Newark, the Newark Airport, and just enough of the Pennsylvania Railroad tracks to make me want to travel when I see the Silver Meteor going by early in the afternoon.

My bookcase isn't at all like that of a typical grandmother's. I am interested in many of the subjects that are related to the utility industry. On the shelves are volumes ranging all the way from an *Accountant's Manual* to *Engineering Drawings*. There is a precious copy of the *Holy Bible*, too, which my son, Richard, used in swear-

ing me in to my post as commissioner. There are *Cases on Labor Law*, *Revised Statutes of New Jersey*, *An Introduction to Psychology*, *Roget's Thesaurus*, a copy of *Money and Banking*, and *Sprout's Foundations of National Power*.

I TAKE to heart very seriously the words appearing on my certificate of office: "... reposing special trust and confidence in your integrity, prudence, and ability, I have by and with the advice and consent of the senate appointed you to be a member of the board of public utility commissioners, department of public utilities, in and for the state of New Jersey." It is signed by Governor Driscoll, and is a constant reminder of the duty I owe my assignment.

Pictures of my parents, here in the office, always give me courage and inspiration to keep going, because their lives have been examples of public service for as long as I can remember. Although both of them are close to eighty, they are still very active in Paterson in its communal, spiritual, and philanthropic affairs. My mother has worked unceasingly for hospitals in Paterson, the Red Cross, and the Community Chest, and she currently is honorary president of the auxiliary at St. Joseph's Hospital, where she has worked for almost fifty years. My father, Moe I. Fuld, has been a member of the board of public works and the board of education. He is an ardent worker for the Community Chest and many other local community activities. Another prized possession which I keep before me in my office is a personally autographed photograph of Mrs. Eleanor Roose-

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The Responsibility of a Commissioner's Job

"COMPLEX as this post of public utility commissioner promises to be, it will always represent a great challenge to me. I have resolved to devote all my time and effort to the job, because I feel keenly that it is the right thing to do. Also, I cannot break faith with Governor Driscoll, who has shown his confidence in the ability of a woman to serve her government in a field usually assigned only to men. Only the governor and the people can make the final answer. I fervently hope the verdict is favorable."

velt, whom I consider to be America's greatest lady.

So much for minor details of my personal approach to the day's work. I can remember when my days were filled with thoughts of planning meals, taking the children to the park, or working on some community project. But now, I find myself working on decisions involving such diverse matters as the establishment of a new bus route somewhere in New Jersey, a report on railroad safety devices, or in the midst of a hearing related to telephone rates in this or that area. I get almost as much pleasure out of working in this larger sphere for the public as I did in my early years of domestic life. Variety certainly is the spice of my life on the commission. There is never a dull moment in our regulatory work.

Fortunately, for a new commissioner I had the immediate advantage of a wonderful staff whose members seem tireless. I don't know how I could get along without the aid of the fine people who go on, year in and year out, regardless of the changes at the top.

I've held my post for two years now. During that time I have had the opportunity to participate in several hundred cases. The first year, I "sat" in 167 cases, and, in the second year, I covered about the same number. It is really difficult to choose the most interesting cases. Every new problem presents a variety of new facets and factors, each with its own unique points of interest.

I do have a liking for the type of case in which large numbers of people are interested. For example, there are hearings on service complaints, or the need of additional bus service, or a

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rate case, involving fares or service charges. These invariably provoke more public interest than the *pro forma* matters involving more or less business activities or routines.

SINCE taking my post, I have tried to promote a wider *public* interest in utility regulation. It makes me feel that the state government is making real progress in helping to educate its citizens when a civics class from a junior high school is brought to our hearings. Sometimes women's clubs invite utility commissioners to speak before them, or come in a group to attend hearings on subjects close to the hearts of all women. I am afraid that the average American knows all too little about the work of regulatory bodies such as ours. I am always glad to see public witnesses come down to the hearings and take part in them.

There are a lot of heartaches and disappointments connected with the post of public utility commissioner. Sometimes, one has to allow rate increases in spite of the realization that the consumers who will be most vitally affected by the decision already are hard pressed and that the extra funds to meet such raises must come out of the average family budget.

On the other hand, there are many times when one feels a sense of satisfaction about having accomplished some goal which will bring greater safety as well as better living conditions and more comfort to the people we serve.

Of course, commissioners are often under fire from all sides, because it is practically impossible to attain results pleasing to everyone. Yet, there are times of genuine delight when edi-

torial writers take a fair and realistic view of our work.

NOT long ago, I picked up the *Newark Star Ledger* and read this editorial, entitled "A Good Job Done," which was kind enough to include a personal reference to my own part in a railroad safety case. It stated:

Railroad promises to replace the Matawan trestle with a safer and more adequate structure represent an exciting victory for New Jersey short commuters. And in the excitement of victory, one is likely to lose sight of important services performed by individuals. . . .

After the horrifying wreck at Woodbridge killed 84 commuters, Mrs. Kessler was the first state officer to respond to commuter anxiety that a similar accident might occur at Matawan. She called a public hearing in view of the public alarm over the trestle, and squarely placed the burden of proof on the railroads.

Of course, pleasant though the personal reference was to me, the proceeding was the function of the commission itself. When the Matawan construction was begun recently, Samuel J. Rutberg, spokesman for the commuters' association in that area, commented in this manner about the PUC's work:

The commission has the thanks of every commuter along the shore division of the Pennsylvania Railroad and Jersey Central lines. The commission members also are to be complimented for their successful efforts to improve service and equipment on the Pennsylvania shore division. Some of the air-conditioned commuter cars promised by the road already are in service, to the delight of regular riders.

The *Asbury Park* (New Jersey)

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Press, and other newspapers, also carried editorials commenting favorably on the commission's Matawan efforts, and some of them in particular mentioned their delight that a woman commissioner could take an active and competent part in the activities.

AFTER two years of stimulating work here at the commission, I suppose it is only natural that I have come to several very definite conclusions about utilities in general. Specifically, I might say, as far as railroads are concerned, I am a firm believer in the old adage that one has to spend money to make money, and I am really and truly convinced that if the railroads would embark on an energetic campaign to make their service the most attractive in the world, they could get business. I am sure that people like to ride on trains and would go back to riding trains if such a program really were put into effect.

As for bus transportation, it is obvious that a greater utilization of equipment during the so-called "off-peak" hours would bring added income to the companies. This poses the question of whether attractive bargain rates, put into effect during off-peak hours, would attract shoppers away from rush loads, and the discomfort of the five o'clock rush could be alleviated.

I think busses could be used to a much greater extent than they are in cooperation with board of education sight-seeing tours and as an aid to vocational training in arranging "look-see" tours of industries and institutions.

As for communications, power utilities, and water companies, I think one of the most important and continuing jobs to be done is that of educational programs to promote better understanding between the companies and the public whom they serve. I am always gratified to see evidence of an attempt by a company to bring the public closer to its work and its techniques. To me, the most indispensable ingredient in the formula for a successful utility company is good public relations.

Not long ago, I participated in one of the most interesting cases of my short career here as commissioner. A certain utility company petitioned for a revision—upwards, of course—of its rates. We denied the petition, which now is being appealed.

This was an unusual case because the company, for some five years, had been operating in accord with the provisions of a rate adjustment plan which had been developed jointly by the commission and the company for



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the express purpose of avoiding long-drawn-out costly formal rate proceedings. When this plan was no longer considered feasible by its officials, the company withdrew from it and began a rather lengthy presentation before us.

After seventeen days of hearings, there were about 2,000 pages of testimony and about 100 exhibits. We heard twenty-two witnesses, who covered every aspect of the company's operations from stormy weather forecasts to the average age of a utility pole. Like a woman, I'm curiously awaiting the outcome of the appeal.

THE longest case I have heard, however, involved a transit company seeking a fare increase. It took thirty-three court days.

The unique feature of this case was that it was the first case to be heard following the New Jersey Supreme Court ruling handed down in the now-famous Public Service Co-ordinated Transport decision, June 27, 1950, 86 PUR NS 161. The hearings in the bus fare case closed on June 15, 1950, and twelve days later the New Jersey Supreme Court, in its opinion, stated: "The justness and reasonableness of a particular rate of fare can only be determined after an examination of a company's property valuation which constitutes its rate base . . ." This obviously placed the burden on the utility to present a fairly comprehensive case on the value of its property devoted to public service.

Proceeding as we usually did in these cases (before the Public Service Case was decided) we had received no property valuation. The bus company, realizing the situation, on July 11,

1950, requested permission to reopen the case. We granted this request and had several additional hearings.

ANOTHER interesting point in this second bus fare case was that it involved one of the remaining seven or eight cities in the United States in which a bus pass (\$1.35, limited to use for one week) was good for unlimited rides in the first fare zone. The great difficulty here was to eliminate this pass. This meant crossing the bridge from unlimited riding to limited riding without disturbing the economic equilibrium of the community too greatly and, at the same time, trying to effect a just and reasonable fare as far as the company was concerned. Municipalities in the metropolitan area were very active in this matter, and, as a result of our decision in that case, the transit fare now includes a strip of tickets at 14 for \$1, good for one week for first fare zone rides. We said in our decision that we would look on this as an experiment, for we believe we convinced everyone involved in that case that we were striving to reach a wise and helpful solution to the company's problems as well as the riders' needs.

Incidentally, during the lengthy hearings on the company's evaluation of its equipment and properties, a company representative used 1949 data in his study, checking his calculation of equity capital requirements for transit companies with data set forth in tables in PUBLIC UTILITIES FORTNIGHTLY, issue of August 3, 1950 (pages 174 and 175). The company representative apparently was of the opinion that the earnings-price ratio of 12.2 per cent for his company re-

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sulting from his study based upon 1949 data was not unreasonable, since the FORTNIGHTLY table to which he referred showed that the average earnings-price ratios for some eight transit company common stocks was 13.3 per cent.

However, by our own references to a more recent comparison table in PUBLIC UTILITIES FORTNIGHTLY (issue of March 1, 1951, page 314), it appeared to us that the average earnings-price ratios for transit company common stocks had dropped to 11.1 per cent. It thus appeared that the source of information used by the company representative showed a higher cost of equity capital than the one used by us. In other words, both the company and the commission found themselves using the same source to support different conclusions.

The incident merely points up the fact that even recognized authoritative journals must be used with discretion and thorough research in view of the changes which are constantly taking place in the equity capital market!

A UTILITY commissioner, like most anyone else, has memories of other days, and many of us have spent our childhood years in communities in which there were utility problems that

everyone talked about, but nobody seemed to do anything about.

When I was growing up in Paterson, as far back as I can remember, a problem existed of getting another crossing for traffic on Madison avenue, which would give us a north- and south-bound through street in the eastern section of town. As the number of automobiles increased, the problem there became more acute. I am happy to be able to report that there is such a thing as real progress. By 1950, when I was sitting on the state commission, the city of Paterson and the New York, Susquehanna & Western Railroad Company came before us with an agreement about a crossing—the one that had been the source of such great concern and so much speculation for so many years. As an “ex-Patersonian,” participating in approving the agreement which made this change possible in my home town was a real privilege.

I also got quite a thrill when several witnesses and other interested members of that group which came over from Paterson turned out to be some of my old classmates from high school.

A recent gas rate increase case presented some unusual and noteworthy features. It was the third application filed by this same company for an increase in four years.



“THE Hudson & Manhattan is a company organized to operate an electric passenger-carrying, interurban rapid transit railroad interstate. Approximately 98 per cent of its riders travel interstate—I. E., between New Jersey and New York—but the remaining 2 per cent of the passengers are carried between New Jersey stations, all of which are located in Hudson county.”

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There were many public witnesses in the case who gave vent to their feelings in no uncertain terms. This company, for some reason or another, had not intervened in any early proceedings before the Federal Power Commission to obtain allotments of natural gas, which we here in New Jersey are beginning to use to a great extent. The commission felt that any delay in the realization of savings associated with the use of natural gas, or, for that matter, any delay on the part of the company in availing itself of money-saving methods and techniques associated with the use of natural gas certainly should not be charged to the customers in the form of a higher rate. Result: No raise!

SINCE New Jersey is adjacent to New York city, and our state has many railroads that run into New York, due to the heavy density of the population which spills over into northern New Jersey, the complicated problem of what to do about intrastate fares on these interstate lines is always of interest.

In a recent case in which the Hudson & Manhattan Railroad Company sought to raise interstate fares, we had an opportunity to consider this complex subject. The Hudson & Manhattan is a company organized to operate an electric passenger-carrying, interurban rapid transit railroad interstate.

Approximately 98 per cent of its riders travel interstate—i.e., between New Jersey and New York—but the remaining 2 per cent of the passengers are carried between New Jersey stations, all of which are located in Hudson county.

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We had ten days of very active hearings. Sentiment, as is usual in such cases, ranged from one extreme to another. One side described the intrastate passengers as "sheer velvet, and 100 per cent profit for the company." The other side's characterization was much less flattering, implying that the company carries such passengers for practically no cost at all and that the interstate rider was being charged too much so that the intrastate rider could be carried by the line. We dismissed the company's petition for an increased fare and denied the proposed plans for relief. The company has appealed our decision, with what effect is not as yet known.

I SUPPOSE some biographical data is in order in an article of this sort. I will try to keep to the salient facts.

As for my family, my mother is a native of Newburgh, New York, a lovely Hudson river town, and my father was born in New York city, which probably accounts for my real enjoyment of both city and country. I first saw daylight in Paterson, New Jersey, where I later attended the public grammar schools and the Paterson high school. In so far as I can recall now, I always liked to go to school. As I remember those early days, I had only one teacher whom I didn't like—and that probably was due to the fact that she discovered me chewing gum (strictly forbidden) and kept me after school until I had written "chewing" 500 times. I've never liked chewing gum since, and I never changed my mind about her disciplinary techniques.

My mother, who had majored in

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Promoting Public Interest in Regulation

"SINCE taking my post, I have tried to promote a wider PUBLIC interest in utility regulation. It makes me feel that the state government is making real progress in helping to educate its citizens when a civics class from a junior high school is brought to our hearings. Sometimes women's clubs invite utility commissioners to speak before them, or come in a group to attend hearings on subjects close to the hearts of all women."

social science at Vassar, started my training at an early age. I have many recollections of visits to hospitals and orphanages on my birthdays to share my presents and cake with the less fortunate. As I grew older, I used to go with my violin to perform a very out-of-tune "Humoresque" for the poor patients. I say "poor" because they had no way of escaping! By the time I was sixteen and a member of the Paterson high school orchestra, my playing was less trying, both to the patients and myself, and I really enjoyed going around trying to entertain in our hospital and other local institutions.

I REALLY began social work seriously when I entered Vassar College in 1917. I served as a regular volunteer staff worker at Lincoln Center (a settlement house) in Poughkeepsie, and I continued to serve this organization until I left college in Novem-

ber, 1920, to get married. My husband—my law partner, too—is still my best friend and kindest critic. We've had thirty-one wonderful years together which I can best sum up by quoting him: "Sometimes it seems as though we were married only yesterday, and other times I don't ever remember being single." I've never analyzed that speech too carefully, but I'm sure he means well!

I found much to do that was interesting in Newark, where we lived from the very first, and soon became interested in various local organizations as well as the Democratic party. My husband was county chairman then. I used to go along to all his meetings trying to acquire some training in this field. The practical lessons I learned then were of great benefit to me during the years when I worked in the Roosevelt campaigns as executive secretary of the women's groups.

In 1935, I was appointed referee in

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the Essex County Domestic Relations and Juvenile Court. Here I found the work not only a great challenge, but stimulating as well, and I think it was my experience here, coupled with the fact that our two sons, Richard and Edward, were attending "all-day" school (and didn't need Mom so much any more) that inspired me to go back to college and to take up what I had always wanted to study: law. I entered the Newark University School of Law (now part of Rutgers University) in September, 1938. Most of my fellow students there were in their early twenties, accustomed to school routine and study, and they posed no little handicap for a rusty student, and a housewife, at that. However, I was determined to get that LLB, and did in June, 1941. After admission to the bar, I became, on January 2, 1942, a full-fledged member of my husband's firm, Kessler and Kessler.

THE war naturally dislocated our lives just like other American families. Our elder son, then at Cornell University, enlisted in the armed services and left for training early in 1942. He later waded ashore in the Normandy invasion. His younger brother left Princeton to join the Navy. I took a leave of absence from my almost-new office and literally moved to the Pennsylvania Railroad station, where I worked as chairman of the United Service Organization lounge. We served more than a million men there and I shall always be grateful for the opportunity to serve such a worthy cause.

In April, 1942, I was appointed to

the State Board of Institutions and Agencies by Governor Charles Edison, son of the famous inventor, Thomas A. Edison. The work of this board consisted of the supervision of all of our state institutions and agencies, and I consider my seven years' association there a most rewarding experience.

When hostilities ended in 1945, I returned to our law office, taking up where I had left off earlier. In 1947, Governor Driscoll appointed me chairman of the governor's Committee on Youth. This gave me a wonderful opportunity to meet and to work with people in all parts of the state who were interested in helping our young people. Besides the other social work mentioned, I was co-chairman of the Newark chapter of the National Conference of Christians and Jews, and vice chairman of the camp and hospital committee of the Newark Red Cross. This just about brings me back full circle to that memorable day in August, 1949, when Governor Driscoll called me on the telephone to tell me about my utility commission appointment.

Complex as this post of public utility commissioner promises to be, it will always represent a great challenge to me. I have resolved to devote all my time and effort to the job, because I feel keenly that it is the right thing to do. Also, I cannot break faith with Governor Driscoll, who has shown his confidence in the ability of a woman to serve her government in a field usually assigned only to men. Only the governor and the people can make the final answer. I fervently hope the verdict is favorable.



Soldiers of Public Service

Here is a collection of a number of exciting and inspiring experiences in which the heroism of utility employees has been recognized to the extent of Carnegie medal awards.

By HENRY F. UNGER*

TROUBLE man Albert W. Johnson worked rapidly on the routine electrical line trouble. Above him, on the 33-foot-high pole, was another trouble man, Archie L. Spain, quickly repairing a break, unmindful of the tense moments just ahead.

Suddenly, 7,600 volts of electricity jabbed at Spain. As though felled by a huge hammer, the trouble man slumped unconscious in his fastened safety strap. An arc of flame extended between the wire and Spain's hat, which had a metal band. Almost immediately, Spain's shirt was afire.

Fifty-year-old Johnson, alerted by the sudden lurching of his friend above him, forgot his work. Into his brain beat a message, "Save Spain." Instantly, Johnson climbed to the stricken lineman. The arc was now broken.

Johnson fastened his own safety strap around the pole between the other wires and just below Spain's strap and quickly got behind Spain.

In another moment, Johnson was pressing Spain against the pole, extinguishing the flames on his shirt. As soon as Johnson relaxed his hold, Spain slumped to a doubled-up position astride Johnson's strap. Rescuer Johnson noted immediately that fast action was needed to save Spain's life. He raised the stricken trouble man to a normal sitting position and began frantically to restore Spain's respiration.

After four minutes Spain began to breathe in. Then he suddenly flailed his arms, beating at Johnson. Viciously he kicked and shouted. Calling on his fast ebbing energy, Johnson kept Spain's body and arms from touching the wires.

*For personal note, see "Pages with the Editors."

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IN another moment, Spain became limp again. Instantly, Johnson started his resuscitative measures and kept them going for two minutes when Spain, partially revived, lashed out again at hero Johnson. With a supreme effort, Johnson continued to keep Spain from the wires.

Almost on the verge of discontinuing the struggle from sheer exhaustion, Johnson suddenly was aided by other men who reached the pole and helped to lower Spain, who was still struggling. Johnson, weak and nervous, descended unaided. Trouble man Spain, who suffered serious burns, recovered.

Those few moments on an electric pole were an eternity of time compacted into fleeting minutes for the brave trouble man. For defying death to save the life of another trouble man that day in Dallas, Texas, Albert W. Johnson was awarded the coveted Bronze Medal and \$500 by the Carnegie Hero Fund Commission. His name was inscribed on the roll of honor at the commission's headquarters in Pittsburgh. For Albert W. Johnson fitted Andrew Carnegie's definition of a "hero of civilization"—one who tries to save a life with full knowledge of the danger involved but with no thought of reward. His name was placed beside many other utility workers, who for a few moments forgot their regular routine, placed their lives in jeopardy, and gallantly saved the lives of others.

In the forty-three years since the Hero Fund was set up, more than 3,300 persons have been immortalized in bronze, silver, or gold medals. Their stories tell of battles with water, poison gas, fire, electricity, wild animals

—all waged on behalf of the other fellow. More than 38,000 applications have come in from hopefuls eager to record their friends' deeds and win medals and cash for them. But standards of eligibility remain strict.

NO one is eligible who must save lives in the course of regular duty. This eliminates firemen, life-guards, and policemen. The professional, the commission believes, incurs far less risk than the amateur.

But there is no dearth of amateurs—certainly not among employees in the utility field. Laborer William H. Lairson wasn't thinking of personal glory when busily working on a dam construction job at Shawnee, Oklahoma. He suddenly glanced up and gasped. A noise above on the 49-foot-high framework attracted him. A man was plunging toward him. He had slipped from the framework.

Quickly, Lairson took one step forward. He spread his legs to brace himself. His muscles stiffened. All life seemed to stop as he waited for the impact of the falling body. For a moment, he felt numb as he felt the smashing blow of the falling man against his chest and shoulders. His arms vainly swung in an arch, attempting to save the man from a longer fall. The weight was too heavy. The man was deflected, falling on top of an 18-inch square bucket that was in a sump with the top at ground level.

Lairson was knocked backwards and fell on the ground as though struck by a sledge. Pains shot through his ankle and his shoulders. Quickly he arose and struggled toward the victim and shouted for help. Aid came immediately. Carpenter John J. Roach suf-

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ferred fractures of the left arm, left hip, and right leg but recovered while hero Lairson wrenched his ankle and received contusions of the face, shoulder, and chest.

The Carnegie Hero Fund Commission didn't forget the gallant efforts of hero Lairson. He won the famed Bronze Medal and \$1,000.

EXCITEMENT ran high for a few moments in Atlanta, Georgia, as 25-year-old trolley bus operator, Clark D. Bishop, proved his heroic qualities. Schoolboy Leonard G. Harris was crossing a railroad track when he suddenly tripped and fell. His head struck a rail and he lay unconscious on the tracks.

A passenger train approached at a 30 miles per hour clip. Bishop, who was parked near by, gasped as he noted the plight of the schoolboy.

Only one motive surged in the bus operator's brain as he bounded from the bus and ran at top speed for 29 feet toward the unconscious boy. "Save the boy."

With no time for deliberating, Bishop crossed over one rail to Harris whose head and shoulder lay on the far rail.

His heart pounding furiously, Bishop could almost feel the locomotive grinding into him. It was actually 90 feet away when the bus operator bent over and grasped Harris. Swiftly

gripping Harris by his clothing with one hand, Bishop swung around astride the boy's legs and with both hands yanked the boy to his feet and backward five feet from the rail. An instant later, the locomotive churned past at an undiminished speed. Bus operator Clark D. Bishop's alertness and courage saved the life of the Atlanta schoolboy and the utility employee joined the long list of utility workers who have shown their real heroic qualities. To hero Bishop went the Bronze Medal and \$500 toward a new home or some other practical project.

So that false deeds of heroism are not recorded on the honor roll at the Pittsburgh headquarters, the commission conducts a system whereby field men often duplicate a given feat as nearly as possible in order to learn firsthand the risks faced by the candidate. These men plunge into water, descend into gas-ridden wells and mines, subject themselves to all sorts of peril.

Not all utility employees show their heroic worth only on the job. Such a hero was gas meter reader, Joseph F. Cannon of Providence, Rhode Island. Standing on the bank of the Providence river, Cannon was galvanized into action one winter day when he saw youngsters Dana H. Kerrick and Francis J. Raponi crash



I*"In all parts of the United States, utility employees have proved their heroic qualities. They were courageous beyond measure and they were indeed willing to risk their own lives so that others might live. In fact, they even died so that others might live. The danger was there, and the utility personnel was not lacking."*

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through the ice on the Orange street slip of the Providence river. The water was 12 feet deep and 40 feet from the wharf.

Cannon ran at top speed for 250 feet to the end of the wharf, swiftly descended a piling and swam to the two boys, breaking the ice with his hands. Gripping the boys with one hand and grasping the edge of the ice with the other, Cannon desperately began to work his way back in the path he had made. The ice broke off repeatedly and suddenly the trio was submerged. Again Cannon grabbed at the ice while it broke like tissue paper. Four more times the trio submerged.

Almost despairing of saving the boys and thoroughly weakened by his struggle, Cannon got unexpected aid from some men who threw him a rope. Gripping it tightly, Cannon was towed to the wharf with the boys. Two men who had climbed part way down the piling lifted the two boys from the water to the wharf. Cannon had to be lifted from the water. Chilled and fatigued, Cannon and the boys recovered.

Gas meter reader Joseph F. Cannon was a glory to the utility field. He won the renowned Bronze Medal and with it \$500, honors which he had never sought when he plunged into the icy river to save two lives.

THE demand to offer your life for another strikes suddenly. It is the genuine hero who doesn't hesitate. A life must be saved and he proceeds to the task. Such a hero was telephone lineman Robert Gentile, who was busy repairing some lines in Westerly, Rhode Island, one fall day when suddenly a Navy plane lost altitude and

suddenly crashed into the ground.

Pipe fitter Benjamin B. York was working near Gentile as the plane smashed into the ground. Hardly had the plane crashed when Gentile descended rapidly from the pole, doffed his equipment, and with York ran more than a quarter of a mile toward the stricken flier. Out of breath, lineman Gentile and pipe fitter York bent over, gasping for a few mouthfuls of air while they quickly surveyed the crash situation. The plane lay in some brush-covered ground. The pilot seemingly seriously injured, lay within four feet of the plane. Leaping flames enveloped the nose of the plane and shot 25 feet above it. The pilot moaned about eight feet from the flames.

As Gentile and York recovered their composure, they moved toward the pilot. The ammunition inside the plane began to explode infrequently. Realizing the danger of the explosions, the two heroes grasped the pilot and carried him 50 feet from the plane. As they lay him on the ground a heavy explosion shook the ground, tossing burning gasoline to a point 25 feet from the trio. The ammunition began to explode with rapidity. Immediately, Gentile and York dropped to the ground, Gentile falling on his knees on top of the pilot.

Two minutes later, the explosions became less frequent. The heat from the plane became unbearable and again the heroic team carried the pilot 50 more feet away. Ten minutes later the members of a crash crew from an airport carried the pilot to a hospital. He had suffered serious injuries but recovered. Telephone lineman Robert Gentile and pipe fitter Benjamin B.



Standards for Hero Awards

"IN the forty-three years since the [Carnegie] Hero Fund was set up, more than 3,300 persons have been immortalized in bronze, silver, or gold medals. Their stories tell of battles with water, poison gas, fire, electricity, wild animals—all waged on behalf of the other fellow. More than 38,000 applications have come in from hopefuls eager to record their friends' deeds and win medals and cash for them. But standards of eligibility remain strict."

York didn't flinch in the face of danger. The commission recognized their heroic tactics and awarded them the Bronze Medal and \$500 each.

NOT all heroes receive cash awards with their medals. The cash awards go to the heroes who really need the money. A hero either permanently or temporarily disabled, isn't forgotten by the commission. "If the hero is injured in his bold attempt to serve or save his fellows," Carnegie wrote, "he and those dependent on him should not suffer pecuniarily thereby."

Apprentice electric meter installer William D. Groover of Ooltewah, Tennessee, fell into this category as a hero who won the Bronze Medal, \$500, and \$125 disablement benefits, for his heroics one wintry day. While Grover

C. Dykes and Groover were riding in the cab of an auto truck operated by a third man, the driver lost control of the wheel. The truck finally toppled on its right side on a roadway.

Fortunately, the driver and Groover managed to crawl out of the cab window and escape the flames which had broken out underneath the cab.

Dykes, who was suffering from a fracture of three ribs, extended his arms over the vertical cab roof but was unable to climb out. Both the driver and Groover stood horrified as they watched the flames rise from the inside of the cab and leap at the face and shoulders of the trapped Dykes. Shaken from his fright by the screams of Dykes, the driver attempted to pull the trapped man from the cab without success. The gasoline on the roadway

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was ignited. It was all that the driver could take and he ran away.

The flames inside the cab continued to mount higher around Dykes while they leaped to six feet on the roadway. Determined to save the screaming Dykes, Groover sprang into action. Momentarily shielding his face from the roadway flames, Groover plunged toward the cab. Standing in the flames, Groover reached inside the cab, firmly grabbed Dykes, and slowly but surely pulled him from the cab. Despite the searing flames which were attacking his clothing and body, Groover dragged Dykes off the roadway. Working rapidly, Groover dropped Dykes to the ground and immediately beat out the flames on his own clothing and then switched to Dykes, who was seriously burned and was partially disabled.

The flames continued to burn for fifteen minutes in the cab but no explosion occurred. A real hero, William D. Groover suffered serious burns but was completely healed in ten weeks.

PEOPLE in the utility field should be very proud of public works inspector James H. Rimmer who, though a hero, lived a lifetime in a few minutes of lifesaving.

As though struck by a truck, Rimmer was knocked violently to the ground one day in Cincinnati, Ohio. Dazed for a few seconds, Rimmer shook his head. Suddenly he realized the situation. The blast had occurred in the 4-foot water main near by.

Quickly, he scrambled to his feet and ran to an adjoining manhole. Peering into the opening he heard loud moans. A man was trapped in the interior.

Smoke began to bellow from the manhole. City firemen already on the scene couldn't pass through the opening into the main while wearing gas masks. They were refused permission to enter without them.

The plight of the victim swirled in Rimmer's brain. He feared the gas in the main. The trapped man would be burned horribly in the explosion. Without further deliberation, Rimmer quickly tied a rope around his body and, carrying another rope, he approached the manhole entrance. Breathing deeply, Rimmer entered the manhole. His heart beating furiously, hero Rimmer walked 30 feet to a turn in the main.

Darkness encompassed him. Desperately holding his breath. Rimmer continued to grope along the walls. For a few moments he would stop and listen for more moans. Suddenly his head struck a jutting pipe. He turned and in a stooped position began to walk backward down a steep slope. For 350 feet he stumbled along, fearing at any moment to smash into obstructions. Suddenly, the moans became more audible. Rimmer quickened his pace. A few more steps and he almost fell over the prostrated victim.

FRANTICALLY, Rimmer tied the rope around the man, who lay helpless. Almost exhausted himself, Rimmer gripped the stricken man and began to drag him toward the manhole. With each step a new torture and sweat coursing in streams down his body, Rimmer called on his remaining strength. He stumbled and groped along, never relinquishing his charge. Finally, after what seemed an eternity, Rimmer reached a position 105 feet

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from the manhole and overcome with exhaustion and the gas, collapsed.

Attracted by Rimmer's shouts, another workman, clinging to one of the ropes dropped from the manhole, came to the duo. He lifted hero Rimmer to his feet and supported the overcome workman. Shortly the trio was lifted from the manhole, too late however to save the stricken man, who died five days later.

Like a true hero, Rimmer offered his own life to save that of another, even though the man later died. For his gallantry, James H. Rimmer won the Bronze Medal and \$1,000 from the Carnegie Hero Fund Commission.

NOT all utility heroes live to receive their just award. Such was the case of Earl I. Roberts, who gallantly attempted to rescue Ernest Aronholt from suffocation in Lima, Ohio.

Ascending a ladder in a sampling pit of the digester tank of a sewage treatment plant, Aronholt was overcome by gas. He crashed to the floor of the pit, 9½ feet deep.

Aroused by the shouting of a group clustered at the entrance to the pit, Roberts, instinctively realizing the danger of a fellow workman, ran at top speed for 700 feet to the pit. Already a workman had descended the ladder for a rescue attempt. Overcome

quickly by the gas, he started to climb out. When his head and shoulders appeared above the surface he became unconscious. Roberts, with the aid of bystanders, dragged him from the pit entrance.

Working hurriedly, Roberts, with the help of another, dragged a hose 50 feet long up a steep slope to the pit. No ropes were available. Roberts directed two men to hold the ends of the hose. Bystanders pleaded with him not to descend into the pit. Unmindful of their pleas, Roberts held the hose midway in its length and rapidly descended to the victim. Careful not to breathe, Roberts placed the hose over the victim's head and shoulders and under his arms and held it close around the man.

ROBERTS signaled with a tug on the hose. Slowly the duo was pulled to the surface, Roberts desperately keeping the helpless man in place. Suddenly, Roberts, overcome by the gas, fell to the floor. The other man, loosened, plunged on top of the hero.

Later, two firemen entered the pit with gas masks and removed both men. Both died in a short time. The Carnegie Hero Fund Commission didn't forget Roberts' unselfish deed and gave a silver medal to his widow and inscribed his name with the names of



Q "So that false deeds of heroism are not recorded on the honor roll at the Pittsburgh headquarters, the commission conducts a system whereby field men often duplicate a given feat as nearly as possible in order to learn firsthand the risks faced by the candidate. These men plunge into water, descend into gas-ridden wells and mines, subject themselves to all sorts of peril."

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other heroic utility workmen on the honor roll.

RAW courage came to the fore one night near Laurel, Maryland, as Eldridge Douglass Tanner pushed his big trailer truck along the highway. Marshall Sales sat next to him and Chamber H. Elden was asleep in a bunk behind the seat. A heavy van was attached to the truck.

Suddenly an approaching automobile lurched at Tanner. Sheer driving instinct prompted trucker Tanner to swerve sharply off the highway. The truck smashed into a pole with a terrific impact which stopped the truck. Tanner was hurled from one door. Even as he lay there stunned, he could see gasoline spill through the damaged tank under the opposite front fender.

For a long moment, Tanner shook his head, frantically clearing his foggy eyes. He could see flames leaping through the opposite door and through an opening at the windshield. Despite his own wounds, Tanner only visualized the burning trapped men in the cab. He inhaled deeply and held his breath. Stumbling into the cab, Tanner grasped Sales' jacket which was afire. Realizing that only swift action would save the men, Tanner yanked Sales and in a moment had him on the running board. The heat was intense and an explosion was imminent.

His hands two masses of burned pain, trucker Tanner again entered the truck. He knelt on a seat, gripped Elden's clothing tightly. With a desperate yank, he pulled his friend from the cab.

Leaping from the cab, Tanner grabbed at the clothing of the inert truckers lying on the ground. Sobs

of pain wracked Tanner as he dragged the two unconscious men along the uneven ground. He stumbled and frantically pulled until he was exhausted. He could go no more and collapsed. At that moment, a gigantic blast of exploding gasoline ripped the truck into a million particles. Aroused by the blast, Tanner called upon his remaining strength and fell upon his comrades to prevent them from being struck by the flying particles.

Despite his heroic efforts, Tanner could not save his trucker friends. For his superb lifesaving attempt, he won the Carnegie Hero Bronze Medal and \$500 in addition to a pair of impaired arms, which brought additional disablement benefits each month. Eldridge Douglass Tanner was indeed a trucker with courage to spare.

DRAMA rode high one winter afternoon when locomotive fireman Wallace G. Johnson went into action in Tacoma, Washington, to save the life of 81-year-old Tillie Levy. Tillie, who was feeble and deaf, walked out onto the track on which a train was approaching at nine miles per hour.

Johnson, looking away from his work for a moment, gasped as he saw the great danger of the locomotive grinding the old woman. He ran out of the cab of his locomotive, and down the steps from the platform. Grasping a grab iron, Johnson swung out and to the roadbed ahead of the locomotive. Without a thought about his own life, Johnson ran rapidly between the rails to Tillie. With one arm he swept the old person from her feet and carried her off the track, barely clearing the track in front of the approaching locomotive. Neither was hurt but

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Johnson for his speedy action and heroic heart won the Bronze Medal and \$250.

A TRIO of heroes emerged gloriously one hot summer day as an honor to the utility industries in Augusta, Maine. Laborer Joseph Jacques, working for a large waterworks company, was suddenly overcome by carbon dioxide gas in a cistern 12 feet deep. He lay five to six feet from a ladder with his nose and mouth in a foot of water. Thomas J. Violette, a laborer with the same company, thought that Jacques was ill and descended a ladder six feet and then jumped to the bottom.

Realizing then that Jacques was overcome by some deadly agent, Violette dragged Jacques to the ladder and then tried to raise him. He lost his hold. Again he gripped Jacques and raised him to a half-upright position. Then as though struck by lightning, Violette was overcome. Jacques fell to one side of the ladder with his face in water and Violette dropped on top of Jacques, his face above water.

John H. Ellis, Jr., the foreman of Jacques and Violette alerted by the moans from below, tied a handkerchief over his nose and mouth and carrying the end of a rope, descended the ladder. He tied a rope on Violette, who was pulled out by workers above.

Before the rope could be removed from Violette and lowered to Ellis, the foreman collapsed and fell on Jacques. Ambrose M. Lynch, a telephone lineman, who had only a general knowledge of gasses, and who happened to be in the area, was trying to revive Violette when he noticed the plight of

Ellis. Knowing from what had happened that the situation was serious, Lynch descended the ladder, with a rope fastened around himself. He carried another rope. As soon as he reached Ellis, Lynch got on his knees. Almost immediately, he felt the effects of the gas and with difficulty placed the rope around Ellis. Before he could tie the rope, Lynch began to choke and started for the ladder where he collapsed. Immediately, workers above pulled out Lynch. He was quickly revived.

IN a few moments, foreman Ellis was pulled out of the death chamber but when near the top, the not too secure rope loosened and Ellis plunged into the gas chamber. Later, he and Jacques were removed from the cistern by fire hooks. Both were dead. Violette however was revived.

For their daring attempts to save their fellow man above the call of duty, the trio of utility workers received their just awards. Violette received the Bronze Medal and \$1,000; Lynch won the Bronze Medal and \$1,000, while Ellis was given posthumously a Bronze Medal to his widow and, to supplement the workmen's compensation, his widow received \$50 a month until further notice or until her remarriage.

In all parts of the United States, utility employees have proved their heroic qualities. They were courageous beyond measure and they were indeed willing to risk their own lives so that others might live. In fact, they even died so that others might live. The danger was there, and the utility personnel was not lacking.



The Great Public Power Myth

Costs are inescapable, even though they may be, in some cases, hidden or shifted. The political character of public power operations has a natural tendency to promote such juggling and duplicate dealing, which was foreseen and predicted years ago by the late Thomas A. Edison.

By CHARLES TATHAM, JR.*

PPRIVATE or public electric power? This question faces America. The question is a far more serious and far-reaching one than commonly considered and because its true significance is widely misunderstood, or unrealized, it has received but the most casual analysis by impartial observers.

Actually, the adjectives private and public are incorrectly used. The truth is that public power is not "public" and private power is not "private."

These terms, as applied to electric power development, are most unfortunate ones to use in attempting to arrive at a clear understanding of the issues involved. Public ownership connotes ownership, operation, and control by the people at large for their own direct benefit, as opposed to similar ownership, control, and operation for the benefit of a limited group of individuals. Conversely, private own-

ership connotes individual and perhaps exorbitant benefits which must be paid for by others. Both of these concepts are highly inaccurate.

"Public" ownership does not mean ownership by the people in the sense that either as individuals or as groups they can exercise any of the ordinary prerogatives of ownership. They cannot set the price to be charged for the service, they cannot hire or fire the employees who run the business, they have no control over operating costs or policies. "Public" ownership means simply government ownership; it should be so termed and it should be so thought of.

"PPRIVATE" ownership, on the other hand, does not mean that any individual, or small group of people, can operate the business for their own exclusive or preponderant benefit at the expense of the public interest.

In the first place, the so-called "pri-

*For personal note, see "Pages with the Editors."

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vate" electric power companies are not privately owned. They are *publicly* owned in the truest sense of the word. Ownership legally and in fact is held by thousands and thousands of individual citizens, each having his own small share of ownership.

"Private" ownership means direct citizen ownership and it should be so termed and so thought of.

A correct labeling of the alternatives, *government ownership versus citizen ownership*, of itself simplifies an understanding of the problem.

The choice then is, should the facilities for producing and distributing electric power be owned and operated by the government or should they be owned and operated directly by large groups of individual citizens?

The question to be asked is a very simple one. Which method of operation produces the best service for the most people? Best means the most efficient and dependable at the lowest cost. And it means over the long run. Good service that is cheap for a month or a year, or even longer, will in time become poor and expensive service if it fails to reflect the technological advances and improvements that might be achieved under different management.

THE government's greatest experience in operating what most nearly resembles a business enterprise is in its handling of the mail. How well has the Post Office been run? It is well known that it is not financially self-sustaining. In 1949 the bipartisan Hoover Commission (the Commission on Organization of the Executive Branch of the Government) reported that the main reasons for its enormous

deficit were just plain inefficiency and waste. The commission reported:

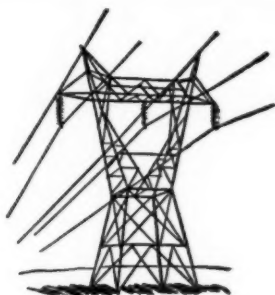
The administrative structure is obsolete . . . A maze of outmoded laws, regulations, and traditions freezes progress and stifles proper administration . . . Although the Post Office is a business-type establishment, it lacks the freedom and flexibility essential to good business operation . . . The service is used to hide subsidies . . . Political appointment produces inefficiency and militates against the incentives of promotion.

These conditions reflect in part the lack of direct interest accompanying personal ownership, and in part the lack of incentive that is found in competitive enterprise.

Under direct citizen ownership any individual can become part legal owner of any electric power company. In actual practice many consumers *are* part owners of the company that serves them.

The money they pay for the stock is invested in plant, machinery, and other facilities necessary to furnish electric service. In other words, the money "goes to work" and the individual citizens who provide it are compensated for its use, in essentially the same way that individual citizens are compensated by receiving interest when they buy bonds or put money in the savings bank.

UNDER government ownership no comparable opportunity is given to individual citizens either to participate directly in ownership or to productively invest their savings. The government must, of course, obtain the money necessary to build or acquire the facilities; it does this, not by permitting individuals voluntarily to



The Contagious Character of Government Ownership

“THE entry of the government into the field of electric power production . . . contains a threat to progress and freedom that extends well beyond the area of this industry. Government control of one business encourages government control of another. It is the first step on the road that leads to eventual economic paralysis.”

put their savings to work, but by either borrowing or by taxation.

One point should be made quite clear; the government cannot provide electric service more cheaply than the citizen-owned companies. This is a matter to which common sense should be applied rather than an array of statistics. Statistics, figures, can be so presented as to produce almost any desired impression in the mind of the noncritical reader. Claims have been made by both sides, supported by figures, which, although correct in themselves (not falsified), all too often produce a quite erroneous impression. Propaganda rather than candid discussion of facts has been widely resorted to.

The simple truth is that we can't beat the economic facts of life. We can't get something without paying for it.

It is true that for certain articles or services, at certain times, exorbitant prices may be demanded. Ordinarily excessive price demands are restrained by the forces of competition. Only when a monopoly prevails can too high prices be maintained. Even here, unless the product or service is essential to life and unless there is no substitute, public refusal to buy will tend to bring the price down.

IN the case of electric service, government price regulation largely takes the place of competition and effectively protects the consumer against excessive rates. All that the citizen-owned company is permitted to charge is enough to recover the costs of providing the service. Government regulation also requires that the service be made available to all who ask for it and that the rates be the same for each

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customer in a given service classification. Virtually every aspect of the business is subject to regulation by Federal or state commissions acting under government authority. This regulation aims equally to protect the interests of the customers and the interests of the citizens who provide the capital necessary to carry on the business.

What elements enter into the cost of furnishing electric service? They are exactly the same as those which make up the cost of any other service or product, and may be summarized as follows:

(a) Cost of the raw material used to manufacture the product or to provide the service.

(b) Wages and salaries paid to the workers and employees who carry on the business.

(c) All the direct taxes paid to government incidental to conducting the business.

(d) An allowance for depreciation of physical equipment so as to maintain the investment in these facilities intact.

(e) Income taxes paid to the Federal and state governments.

(f) Interest or return paid for the use of capital necessary to establish and carry on the business.

THESE costs are inescapable. Nobody, neither individuals nor the government, can operate a business without meeting them either directly or indirectly.

Certain of them do not *directly* arise in the case of a government-operated business. For example, the government does not pay income taxes, but the income it thus foregoes must be obtained in some other manner, through additional taxes on other business enterprises or individuals.

It is quite true, moreover, that the government can borrow money at a lower interest rate than the cost of capital to any individual business. But on an over-all basis, from the standpoint of cost to the people as a whole, this apparent saving is an illusion.

The very fact of government's entry into competitive business increases the cost of capital to citizen-owned enterprise and consequently the burden of cost upon the people as a whole. The government does not invest its own money in the business. It invests the citizens' money which it has either borrowed or acquired through taxation. If this money does not earn a return comparable to that earned by citizens' savings invested in other enterprises, it merely means that the burden is shifted to the latter. If a portion of the people's savings earns no return, then the balance must earn a higher return.

It is the same as though in a community a certain number of people were unable or unwilling to work to support themselves. If their support must be undertaken by the others, the rest obviously have to work harder.

People do not work for nothing (except in slave labor camps) and they will not put their savings to work for nothing. If we think that the government can do something more cheaply because the money it uses does not have to earn a return, we are kidding ourselves or being kidded.

THE entry of the government into the field of electric power production, moreover, contains a threat to progress and freedom that extends well beyond the area of this industry. Government control of one business encourages government control of an-

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other. It is the first step on the road that leads to eventual economic paralysis.

One of the important arguments against government being in business is that it breeds inefficiency. This inescapably means a higher cost for the product made or the service rendered. In government-operated business, politics inevitably play a large part, inevitably because most of the executives and "higher ups" are appointed by politicians who in turn are elected. The politicians are humanly interested in votes and when they appoint people to well-paying positions it is not surprising if they hope to get political support in return. This is not stated as an indictment of politicians. It is a commentary on human behavior.

A second important point is that if the government-operated business is inefficiently run, if expenses exceed income, the deficit can be made up in other ways, through appropriations or taxes. It may seem that the service is being provided cheaply, but the public is paying for it in other ways.

When individual citizens join together to operate a business they have to meet strong and experienced competition. If they cannot provide a *better* service, or a service at *lower cost*, sooner or later their customers will turn to other suppliers who can. This freedom of choice on the part of the customers as to whom they will patronize is America's best guaranty of economic progress.

THE third and most important argument against the government being in business is that it tends to promote *monopoly*, and monopoly in any field is the greatest and most serious

threat to human freedom. Essentially, monopoly means that our freedom of choice in the area covered has been taken away from us. And when this freedom is lost coercion takes its place.

A practical danger of monopoly is that it can only be eliminated by some higher force. Business monopoly, monopoly by a group of citizens acting in concert, can be prevented or broken up by the higher authority of government. The government can and does act as a watchdog to protect the people from this evil.

Government monopoly, however, is at the top level. The only higher authority lies in the will of the people. If the concentration of power has not gone too far, the people's will can be effectively expressed in the voting booths. If, however, the octopus of government control has grown too powerful, the process of voting becomes meaningless and the people's only recourse is the violent one of revolution.

Once embarked on a program of expanding its control over the citizens' economic lives, it is extremely difficult for the government to retreat, or even call a halt. The growth of government monopoly in any field breaks down the normal functioning of individual competition and for society's own protection requires a further extension of controls. Thus the vicious spiral continues.

ALTHOUGH difficult, it is certainly not impossible to halt this process in its early stages. Not so long ago, many sicknesses were considered acts of God, no attempt at cure was made and the victim was resigned to either a lingering or a speedy death. The

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growth of medical knowledge, the increase in scientific understanding gradually taught us that these physical ills could be cured, that knowledge combined with courage and determination could increasingly make us masters of our physical health.

TODAY, the great social ill that besets us is government monopoly, the all-powerful control by government over a steadily growing portion of our activities. Socialism, Communism, Fascism are nothing but different names for what is essentially the same thing, political control over the citizens' private lives. When this control becomes complete, the political hierarchy inevitably produces a dictatorship; in self-protection it can do nothing else.

At this point the reader may assert that the citizen-owned power companies are themselves monopolies and consequently embody the dangers we have been warning against. It is true

that they have certain monopolistic characteristics within a limited sphere. The customer can obtain electric service but from a single source; he cannot, if he so desires, turn to a competitive supplier. There are, however, very sound economic reasons why these enterprises should operate singly within their service area; cheaper and better service results.

ALTHOUGH these companies have the physical characteristics of monopoly, the consumers are protected against the evils of monopolistic practice by the higher power of government. This is a real and potent protection.

The danger of monopoly becomes frightening when it acquires absolute power. Under our competitive economic system, subject to enlightened government regulation, this cannot happen in the field of direct citizen-owned enterprise. It can only happen when the government itself takes over.

Moral Basis for Civilization

"I*f honor disappears, then our whole way of life disappears. When people stop trusting each other, when they can no longer rely on each other's promises, then we have stopped being civilized and have gone back to the jungle. That concerns me directly, because the jungle is a very poor market for turbines and locomotives and refrigerators. . . .*

"Honor is a chain with many links. It leads from the simplest transactions—like leaving our pennies on the counter of the blind newsdealer—on up to international treaties involving the lives of millions.

"If we want to stay civilized, then each of us has the job of keeping that chain unbroken. For staying civilized, in the last analysis, depends on making promises—and keeping them."

—PHILIP REED,
Chairman of the board, General
Electric Company.



Depreciation or Depredation

The inflationary era through which we are passing has caused regulatory authorities, as well as utility people, to examine anew the factors underlying the accepted original cost basis for depreciation—especially where reserves fall short of heavy plant replacement costs. Here is an interesting proposal for adjusting depreciation allowances to reflect changing purchasing power of the dollar.

By HENRY W. COIL*

FOR some time, there has been an increasing realization that the failure of the dollar to perform its function as a measure of value and the indications for continued inflation, make necessary a re-examination of depreciation theory. Provision for a reserve which will be sufficient to replace the property upon its retirement is being increasingly advocated as a more realistic approach than the mere return of original cost.

The three-legged stool upon which all original cost theories are founded either for rate base or depreciation consists of the two dissenting opinions of Mr. Justice Brandeis in the Southwestern Bell Telephone Case, 262 US 276, PUR 1923C 193, and the West Case, 280 US 234, PUR 1930A 225, and the decision of the majority of the

Court in the Hope Case (1944) 320 US 591, 51 PUR NS 193.

IF statutes are to be interpreted in the light of current history at the time of their adoption, certainly judicial decisions, which after all are a very real form of lawmaking, should likewise be understood.

Judge Brandeis had not witnessed, and probably did not dream of such debility of the dollar as has developed during the past decade. Indeed, the West Case was decided while the opposite trend, a very unusual purchasing power of the dollar, was developing, for the abatement of which there were applied extreme measures of governmental debt financing, demonetization of gold, and all those trappings known as the New Deal. The Hope Case was the embodiment of that philosophy.

*For personal note, see "Pages with the Editors."

DEPRECIATION OR DEPREDATION

THROUGH history, governments have seldom or for long been circumspect about money and almost every one of them has got into one sort of predicament or another which seemed to result in dilution or depreciation of the currency. Inflation is popular, because it gives the impression of prosperity and well-being, while deflation is regarded much as a flat tire. Our plans for the production of goods to be consumed abroad, in war or peace, and hence not affording economic balance for money constantly added to domestic circulation, do not presage a "fluctuating" dollar, but rather a steadily declining dollar.

There is still in the air an overtone of that derision which in the thirties was poured upon one who lagged behind in adulation of the magical restatement of economic law, then in the making, and, hence, in advocating a property value rather than a nominal dollar approach to depreciation allowance, one must expect to be called an "economic royalist" or a "Tory." In discussing this question, advocates of the return of cost theory apply disparaging epithets to owners and stockholders, while the consumers and ratepayers are referred to in sympathetic and syrupy phrases. The former are said to seek "undue profit," "windfalls," or the "benefit of unwilling contributions from customers." The ratepayer is never cast in the rôle of one who is consuming the stockholder's property, and no attention at all is paid to the fact that, in a period of rising prices, the stockholder's dividends diminish sharply, though the dollar expression thereof remains the same.

The idea that the people of this country are divided into two sepa-

rate groups, one stockholders, the other ratepayers, is exceedingly thoughtless. Large numbers of ratepayers are stockholders and practically all stockholders are ratepayers.

There are five main reasons assigned why return of cost depreciation allowance should be preferred and why the replacement of property theory is denounced:

1. It is said that accountants would never be able to determine whether the allowance were adequate or inadequate, because price levels at the future time or times of retirement of property cannot be known, would require prognostication of prices for a decade or more in the future, and this would amount to no more than crystal gazing. It is said that this soothsaying would have little relevancy to the "facts of life," notwithstanding that facts of life are exactly what the adherents of replacement of property are seeking and what their opponents will not face.

The idea that depreciation policy depends upon the art and ingenuity of accountants is completely mistaken and yet has a wide following, including, of course, 100 per cent of the accountants. It seems not to have been realized that, if the whole subject were left to accountants, we would have no depreciation allowance at all, for accountants could not take the first step to provide it; *viz.*, the preparation of life tables or other estimates of the depreciation period. Accountants do not establish depreciation expense any more than they determine the expense for wages and salaries, for insurance, for maintenance, for fuel, for rent, or for hundreds of other items. All of

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these, including depreciation, are functions of management, somewhat controlled by regulatory commissions.

Accountants are historians of the company's transactions recorded in dollars only. It is immaterial to accountants how much the dollar will buy; they have to know only that it has been spent. They have no way of knowing whether or not the money has been prudently spent; management must know that. Property lives are estimated by engineers and, from these, a simple division will fix the straight-line annuity, or consultation of a compound interest or annuity table will give the annuity on those bases. Accountants record the data the same as they do that on a time card or tax bill.

IT is perfectly true that accountants have no method of allowing for the rise or fall in purchasing power of the dollar and they would go on solemnly recording transactions in dollars which had sunk to the value of present-day pennies. That they would hold to return of cost depreciation allowance is inevitable and understandable and they are perfectly justified in not usurping the functions of engineers, economists, or managers.

But that is no reason why depreciation allowance should not be designed

to replace worn-out property, for, if others can find a way to do it, the accountant will record the transaction just as he does every time he writes off property and makes corresponding entries in acquisition adjustment account or surplus when ordered by management or a commission to do so.

2. NEXT, it is said that literally no one, neither engineer, economist, nor manager, can foretell what it will cost to replace property some years in the future and, hence, the purpose adequately to compensate the owner for depreciation on the basis of replacement value is impossible. But, because we cannot be absolutely fair, is no reason why we should not try to be fair at all. We know as much about the life history of the dollar as we do about the longevity of property. Neither can be exactly predicted far into the future; the reason for rejecting the one is equally a reason for rejecting the other, and, hence, it could be said that the owner, being unable to prove how much annuity he needs, is entitled to none at all.

3. IT is said that the return of cost method has the advantage of ease, economy, and speed. The easiest and quickest way to make money is to



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counterfeit it, but that is not, in the long run, the best. The easiest and quickest way to convict an accused is to put him in jail without trial and that is very much what some would do to the stockholder, but it is not the best thing in final analysis.

4. It is said that, to fix the depreciation annuity on the replacement cost years in the future would penalize the present customers, because they would be paying for the property at a value it did not possess at the time of their use. That, however, is no more unfair than to allow them to use up property which cannot be replaced for the price they are paying even at the time they are using it.

5. SOME who oppose the restoration of property theory, on account of supposed difficulties or for other reasons, recognize the problem and would provide the remedy by arbitrary transfers from surplus to narrow the gap between depreciation reserve and expected replacement cost. But that begs the question. No such surplus earnings are allowed by regulatory commissions and, if they were, they would simply be depreciation allowance under another name.

It is quite evident that through it all there has been a complete failure to appreciate what is happening to the stockholder under return of cost depreciation allowance, and, to make this clear, we may take the illustration given by a fairly recent contributor to the *FORTNIGHTLY*.¹ He says:

¹ "Should Price Levels Affect Depreciation Accrual?" By Clyde Olin Fisher. *PUBLIC UTILITIES FORTNIGHTLY*, May 25, 1950. Volume XLV, No. 11. Page 683.

... Suppose an electric company installs a pole at a cost of \$50. If the pole has a service life of ten years, straight-line depreciation would necessitate a charge of \$5 a year as a depreciation expense and the corporation would have the right to earn a return upon the original \$50 investment, this in addition to the accrual of the depreciation reserve. If at the end of the 10-year period \$100 is needed to replace the pole, then stockholders have to supplement the \$50 in the depreciation reserve by making an additional investment of \$50.

Let us see what actually happens to the stockholders.

They originally invested \$50.

On this they earned, say, 5 per cent, or \$2.50 per year, or \$25 during the 10-year consumption of the property.

To replace the property, they would invest another \$50, of which \$25 is the dividends they received and \$25 is new money secured elsewhere. On this \$100, they earn 5 per cent or \$5 per year or \$50 for the second 10-year depreciation period. At the end of that time, the pole has again worn out and there is \$100 in the fund. The new pole now costs \$200, so the stockholders must add to the \$100 another \$100, half of which is the \$50 dividends received and half is new money. Each time this is repeated, the stockholders put back into the business all that they have received from it, plus something from outside sources, and never do they realize any spendable benefit.

Each dividend is impressed with a trust for the purpose of supplementing the inadequate depreciation reserve.

THE stockholder is chained to a treadmill; his paper "earnings"



The Tax Test Grows in Importance

"HEAVY income taxes make it necessary in every business transaction first to ask the question: *What is the tax effect of this?* One who does not keep his depreciation reserve current with the falling value of the dollar, simply overstates his net worth and his income and pays excessive taxes—out of capital. The essential fault in the return-of-cost theory lies in laying up a reserve in dollars which depreciate about as fast as the property does."

are gradually built up, but these are pledged to the use of ratepayers.

Next it is said:

If, on the other hand, the corporation is permitted to change its depreciation accrual in the light of advancing prices, and if at the end of ten years, because of the stepped-up rate of depreciation, the corporation has \$80 in the reserve for the replacement of the \$50 pole, now costing \$100, the stockholders will need to make an additional investment of only \$20.

That is to say, having received \$25 in dividends, the stockholder must put back only \$20 and has \$5 to blow in on riotous living, except that he already has used that to pay his income tax on the dividends.

And we are asked: "Why should an owner get a return on what he has invested and at the same time claim a profit on an involuntary contribution made by his past customers?"

The answer is that the owner has not got any return; he has made an "involuntary contribution" back to the business for use of his customers.

Someone has to pay for consuming the property. The mistake of those who advocate the return-of-cost theory is to regard the consumer as using up money, the money originally invested by the stockholder, but this is not so, for the thing consumed is property of constantly increasing replacement value.

INFLATION distorts the entire economic picture of every transaction and makes it difficult to think a problem through, applying the inflationary factor throughout. For instance, in the example first above quoted, the original investment is \$50 and the yield is 5 per cent or \$2.50. In the second 10-year period, the investment is

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\$100, and the yield is 5 per cent or \$5. But while prices of poles have doubled, the prices of everything else have doubled, so that the \$5 divided is worth only \$2.50 in purchasing power. The stockholder gets the same economic reward for the \$100 as he did for the \$50 investment. Even in the second example, where the investment becomes \$100, of which the stockholder has furnished \$70 and the return is \$5 or 7 per cent, it must be remembered that this \$5 divided is now paid in 50-cent dollars as compared to those of the prior period and is a yield of only 3.5 per cent in economic value.

Heavy income taxes make it necessary in every business transaction first to ask the question: What is the tax effect of this? One who does not keep his depreciation reserve current with the falling value of the dollar, simply overstates his net worth and his income and pays excessive taxes—out of capital.

THE essential fault in the return-of-cost theory lies in laying up a reserve in dollars which depreciate about as fast as the property does. Then, this reserve is usually invested in the utility's plant, the return on which is keyed to original cost and, hence, does not increase as if it were invested in outside property which does more or less keep pace with advancing prices. Therefore, under the present system, it would seem best for the utility to use the straight-line method in order to get a larger portion of its allowance in earlier years and invest the fund in "growth" common stocks, which expedient, by the way, would involve an embarrassing

admission as to the investment value of its own stock.

ASSUMING, as we must, a gradually shrinking dollar (an average of about $1\frac{1}{3}$ per cent per annum over the past century), some plan should be devised to correct the obvious inadequacy of a reserve to repay only original cost. No plan is in view which would provide full replacement cost, because retroactive adjustment of dollars accrued to the fund in earlier years would not be workable. Of course, under the present system, the longer the life of the property during an inflationary trend the greater will be the disparity between the fund and replacement cost, because the older the dollars the weaker they become.

But it is comparatively simple to provide a plan which will return about three-fourths of replacement cost, more or less, depending on the extent of the inflation and the life of the property. Indeed, it works in smoothly with modern theory.

The latest wrinkle in depreciation accounting is called the "Remaining Life" method, which virtually repudiates orthodox life tables based on estimating and fixing lives for many years in advance. It calls for a new look at the property annually, with a readjustment according to what then appears to be the remaining life. It follows the property right to the grave, conforming to the observable depreciation or per cent condition from time to time, so that the estimated life (annually restated) necessarily terminates exactly upon the retirement of the property. In short, book depreciation and actual observable depreciation should coincide, something that here-

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tofore has not usually been expected.

But each year as the remaining life of the property is re-estimated, a new look can be taken at the condition per cent of the dollar; its temperature can be taken on the cost of living thermometer. Neither property nor dollar would be trended or fixed for more than a year in the future; both would be concurrently appraised for their actual condition. The dollar would be valued on a "cost of living" index, not the BLS index, but a particular index based on items which a utility purchases. For refinement, such index might well differ among different classes of utilities or even among different utilities of the same character; for example, between hydro and steam electric plants, between natural and artificial gas plants, or even between metropolitan and rural systems.

Without any intricate or questionable prognostications whatever, the depreciation annuity would be kept in step with the condition of the property and the purchasing power of the dollar.

THE following table is a simple illustration of the coincident

operation of the Remaining Life method and the Price Index Adjustment. It assumes a \$50 pole with an estimated life of ten years, but in the eighth year, its total life is extended to fifteen years when it is replaced at a cost of \$100.

Year	Normal Annuity	Price Index	Adjusted Annuity
1	\$5.00	100	\$5.00
2	5.00	105	5.25
3	5.00	120	6.00
4	5.00	120	6.00
5	5.00	140	7.00
6	5.00	150	8.00
7	5.00	175	8.75
8	1.87	180	3.37
9	1.88	190	3.57
10	1.87	200	3.74
11	1.88	210	3.95
12	1.87	215	4.02
13	1.88	210	3.95
14	1.87	205	3.83
15	1.88	200	3.76
Reserve	\$50.00		\$76.19

As before stated and as illustrated by the table, what may be called the "Remaining Life—Price Index" method will not ordinarily provide for the full replacement cost of property, and the fact that it does not should silence those who speak solely for the ratepayer, for it fairly divides the inflationary loss between them and hits a median which usually furnishes a meeting point for fair-minded men.



“THROUGH history, governments have seldom or for long been circumspect about money and almost every one of them has got into one sort of predicament or another which seemed to result in dilution or depreciation of the currency. Inflation is popular, because it gives the impression of prosperity and well-being, while deflation is regarded much as a flat tire. Our plans for the production of goods to be consumed abroad, in war or peace, and hence not affording economic balance for money constantly added to domestic circulation, do not presage a ‘fluctuating’ dollar, but rather a steadily declining dollar.”

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Not only the recent past but the outlook for the future, war and rumors of war, armaments to prevent war, and the various schemes for world-wide economic rehabilitation and relief present such a picture as was never before envisaged in this country, and indicate an inflation of greater proportion and over a longer period than any we have experienced. Our economy will be placed under a great stress, so that every part of it should have our careful consideration.

About the only bargain the ultimate consumer is getting these days is utility service, and the strangest paradox extant is the way in which the politician can hand the citizen a tax bill for several thousand dollars and then gain his complete confidence by promising to reduce utility bills by a few cents.

In few industries does the security holder and the security buyer play so large a part in proportion to labor as in the utility field, where it is common to find as much as \$40,000 of capital required per employee.

No one will be misled by the simplified assumption above indulged for illustration, that a utility has a single stockholder or a fixed group of stockholders who must constantly pour money back into the business to compensate for loss through the original cost depreciation allowance. If we could so keep them chained to the treadmill and ruin them, we might justify the gentle expropriation of their wealth on the pretext of "social

value," which is being used so widely at the present day to make the careful, prudent, and thrifty support the thoughtless and the improvident.

The stockholder is there used to represent the whole body of investors and investors-to-be in utility stock. The fact that we have no captive to hold for ransom and must constantly procure new stockholders is of the utmost significance. They cannot be coerced; we have no way to compel anyone to invest in any private enterprise; only public ventures enjoy that power through taxation. Accordingly, if we offer the investor merely the opportunity to come to the aid of existing stockholders and assume the burden of constantly replacing worn-out property, the funds for which have not been provided in adequate amount by the consumers of the property, we must assume somewhat the philosophy of P. T. Barnum.

THE investor is boss; he simply turns off the dial if he does not like the program. If utilities offer him only sweat and tears, he will go into industrials, and, those failing, he will buy real estate or lottery tickets, something which at least gives him a chance. So those who would offer him only the loaded dice of return of cost for his property must do so knowing that they are striking at the heart of private enterprise.

We must stop pouring so much adulation on the butterfly and the grasshopper and be more concerned about the ant and the bee.



Washington and the Utilities

Northwest Power Curb

UNTIL the Defense Electric Power Administration finally came through with its order curtailing the use of power in the Pacific Northwest, Washington buzzed with all sorts of rumors about what steps might be taken. These ranged from suggestions that daylight saving time may be extended throughout the winter to wild rumors of naval ships being sent into Puget Sound. Even rain making was mentioned. When the order was finally issued it was quite reassuring even though it was made necessary by a most disturbing water shortage situation.

The main characteristic of DEPA's new order is that it does not require anybody to do anything right away. It simply sets up a pattern of emergency or stand-by limitations to take effect promptly, when critical shortage actually develops. Administrator of this order will be J. H. Gumz, DEPA Utilization Conservation Branch chief, who has also been designated "Northwest Area Representative."

Mr. Gumz now has four kinds of limitations at his disposal. He can invoke one or all, or any combination of them, as he deems fit—subject, of course, to appeal to DEPA. First, he can freeze the maximum amount of power delivered to large-scale consumers based on their 12-month usage prior to last July. Or, he can cut down on the nonessential usages which would mean a "brownout" of unnecessary street lighting, ornamental lighting, and a poor future for outdoor Christmas tree lighting in that section. Then again, there could be a cut-back of consumption by large-scale interruptible customers, particularly alumi-

num and paper plants. The fourth curb would be on those consumers having their own generating facilities.

Much, of course, depends on the way the Columbia river flow develops during the coming weeks. The outlook was certainly none too good during September, with Grand Coulee running 10 per cent below the minimum requirements for normal operation. Mr. Gumz will have the benefit of the advice of a committee composed of Federal, state, and private utility representatives. He will also have the responsibility of putting some steam behind the voluntary conservation program and the enlistment of all idle generating capacity, even units owned by nonutilities.

Log Jam at the FPC

SCARCELY a meeting involving public utilities or their regulation is held these days without consideration of the avalanche of rate cases which has followed in the wake of the postwar inflationary years. One could jump from the American Bar Association meeting of utility lawyers which convened last month in New York city, to the Public Information Program of utility public relations experts meeting in the same week in Chicago, or glance over the advance programs of the National Association of Railroad and Utilities Commissioners' convention (scheduled for Charleston, South Carolina, October 16th to 19th), or the United States Independent Telephone Association's convention (slated for Chicago, October 15th to 17th), or the national convention of the American Gas Association to be held in St. Louis (October 15th to 17th). In

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all of these forums he would find the recurrent theme echoed and re-echoed: how to get rate relief, and get it soon enough to do the utility some good!

It was at the lawyers' meeting in New York that several speakers pointed to the fact that delay in rate relief is getting so that new applications are necessary before older rate applications have been granted. Questions are being seriously asked as to whether the traditional rate fixing, based on return on investment, may even collapse under the strain of rapid depreciation of the dollar.

In Washington, one need go no further than the gas rate docket of the Federal Power Commission. The FPC is faced with the biggest backlog of gas rate cases in its history. All indications point to additional applications for rate increases being filed as the result of inflationary trends.

Under the commission's procedure, rate increases are suspended, if, after filing, the FPC staff on preliminary investigation finds that the new rates are not just, reasonable, and nondiscriminatory. But, unless the commission acts on such requests within five months after the date of filing, the rate increases go into effect under bond.

As of mid-September there were approximately \$88,800,000 of suspended rate increases before the commission. About \$15,200,000 more had gone into effect under bond, and roughly \$3,300,000 in rate increases have not been acted upon as yet. It is expected that many of these rates will go into effect under bond since the commission would find it impossible to consider the rate increases within the 5-month period.

The Office of Price Stabilization may become another complication to FPC clearing up its rate case docket. Under the Federal statutes, OPS is authorized to intervene in wholesale rate cases. Last month OPS filed a petition to intervene in the proposed 16 per cent rate increase for the Hope Natural Gas Company. OPS is taking the position that if such wholesale rate charges are granted by the FPC, distributing utility companies soon-

er or later would be applying to the various state commissions to pass on the increased costs to their retail consumers. Expected rises in wholesale price of natural gas point to more complications along this line.

What Goes Up—Keeps Going!

THE trouble with OPS' suggestion about passing on gas rate increases from the wholesale rather to the retail level—it may be easier said than done! It is not at all inconceivable that the upward movement of the wholesale rate may collide with the downward movement of the retail rate. Indeed, this very situation seems to be happening in the District of Columbia where the local distribution utility received notice of a very substantial increase in wholesale rates (and the possibility of even a further boost in the near future) just about at the time when the company's commercial office was mailing out refund checks to retail customers by order of a Federal district court reversing a 6.14 per cent retail increase previously authorized by the District of Columbia's regulatory commission. There may be more than one utility company caught "in the middle" of this reversal of economic tides.

The difficulty seems to be a matter of timing. The first wave of telephone rate increases started in a small way in 1947. Transit rate increases started about the same time. More recently, gas rates have started up at the wholesale levels in increasing quantities, and now the electric rate increases are beginning to show up in a substantial number.

This is an understandable timetable of the lag between higher general commodity prices and utility rates. The telephone and transit companies with higher labor factors and less opportunity to absorb costs in expanding volume of service were more readily sensitive to the rising operating expense curve. Now gas and electric rates are joining the parade. The trouble is that the parade keeps going in circles! Applications for rate increases have to be made with encores and even third helpings.

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OUT in the Pacific Northwest where the power shortage has resulted in higher operating costs, emergency requests are being made for temporary rate increases in the form of surcharges. Expensive idle steam plants are being brought on the line to fill the gap in hydro power. These temporary rate increases would amount to a surcharge. In the case of the Puget Sound Power & Light Company a temporary rate surcharge of 13 per cent is being asked of the Washington Public Service Commission.

Company officials state that, depending upon the amount and the duration of abnormal steam generation required, the surcharge would reflect the actual amount of the extra costs. The surcharge would continue in effect only as long as such excess steam generation is required. It is estimated that the extra costs of steam generation for five private companies in the western part of the Northwest power pool will be from \$5-\$12,000,000 for the 1951-52 winter peak season—more or less contingent on load and water conditions to be encountered.

We even have the hint of possible government subsidy of these increased costs. Some Federal government officials in the Bonneville area are reported to be considering a proposition whereby the General Services Administration, the government housekeeping agency, would be asked to bear the brunt of the increased costs to the defense industries, especially aluminum, which would be pinched by the necessary increases.

GSA is more or less responsible for the aluminum production in the defense effort. Interior Department already has asked the Defense Production Administration to hold up approval of the controversial \$46,000,000 loan to the Harvey Machine Company for aluminum production plants. Interior points out that there may not be enough electric power in the Northwest to keep the plants in high productive operation if construction is authorized. Harvey had planned on using power from the Hungry Horse dam, which is scheduled for completion some time next year.

OCT. 11, 1951

OPS Weighs Rate Case Role

THE Office of Price Stabilization has no desire to plunge headlong into a widespread series of utility rate litigation which may be unnecessary and even obstructive. That is the latest note struck at OPS headquarters in Washington, reacting to published comments that OPS might be sticking its neck out along this line. But this may not always harmonize with OPS field office activity.

OPS, under the law, is supposed to confine its intervention to utility cases involving wholesale rates. But some regional offices have been getting themselves into telephone rate cases and railroad passenger fare cases. So now the OPS Transportation, Public Utilities, and Fuels Division would like to correct any impression that it is trying to dominate the regulatory scene, or anything like it.

This OPS division is taking the realistic position that indiscriminate intervention in rate cases should not be supported by OPS at the national level. In fact, the division does not have a big enough budget. So, instructions to that effect have gone out to regional offices. And the OPS legal department is studying what the limits of OPS intervention should be.

Also noted at the Washington OPS headquarters is some anxiety that impulsive regional office activity may irritate state and Federal regulatory authorities by delaying or interfering with prompt disposition of rate cases which are jamming quite a few commission dockets, including the FPC. G. Storer Baldwin, director of the OPS Transportation, Public Utilities, and Fuels Division, said he is "confident that Federal and state commissions are doing a good job" holding down rates and in granting increases only where the facts indicate they are needed.

There seems to be no question about the right of OPS to intervene in such cases as the Hope Natural Gas Company wholesale rate increase petition now before the FPC. OPS has "officially" intervened in about thirteen cases.

Exchange Calls And Gossip



Prospective and Current FCC Reorganization

WHETHER or not Senator McFarland, Majority Leader of the Senate, will be completely pleased with the progress of legislation during his tenure as Majority Leader of the Senate is probably a debatable question. But one thing appears almost certain. One of the Senator's pet bills which gathered dust in a House Interstate and Foreign Commerce Committee pigeonhole during the last session of Congress, the reorganization bill for the Federal Communications Commission (S 658), will probably get some action this time. Maybe not this session, but during this Congress.

The House committee now considering this bill held hearings on the measure last April and not until last month has there been any more activity on the bill. The House committee has been holding a series of executive sessions on the reorganization proposal and reports coming from Capitol Hill sources reveal that the committee is going over the bill with a fine-tooth comb. Every phrase and every word is getting the utmost scrutiny. The possibility of various interpretations—some reported to be rather remote—is being considered. At any rate the bill is getting a thorough inspection, and although it may come out of the committee looking slightly different than the way it went in, at least it is destined to see the light of day once again.

Meanwhile, the Federal Communications Commission has gone ahead with its own reorganization, and its handiwork is currently under inspection in the latest issue of *Land Economics*. Professors L. W. Thatcher and E. W. Clemens of the University of Maryland have

undertaken this appraisal of the reorganization in a detailed article, entitled "The Reorganization of the Federal Communications Commission: A Case Study in Administration and Organization." The authors have undertaken to appraise the transition of the FCC from the traditional "professional" basis of organization to a setup based on the different industries regulated by the commission.

ON the balance, the professors approve the change which the FCC has been making itself. The writers suggest that the change was forced on the commission by congressional criticism (witness the McFarland Bill above) and the recommendations of the Hoover Commission. The article examines the objections that the industry basis for regulatory organization results in some professional men (lawyers, accountants, and engineers) being called upon to perform duties which are not professional, but more administrative in nature.

The conclusion is that such a shift away from professional domination of the commission is all to the good. Over-emphasis on professional posts such as chief counsel, chief accountant, and chief engineer is said to result in too much double checking, "debating society" procedure, and not enough work being done. (Strong objection was raised in the Senate Interstate and Foreign Commerce Committee report on the McFarland Bill on this same point; namely, that the FCC was taking too much time with the cases before it and causing unnecessary delay to the applicants before the commission.) Development of strong industry units experienced in their special area of coverage (such as telephone, telegraph, radio, television, etc.) was regarded as

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necessary in running a staff organization of more than 1,200 employees. The alternative of control by a "loose committee" of commissioners or staff professionals was suggested as responsible for the backlog of accumulated cases before the FCC.

The article outlines the functions of the common carrier bureau of the commission under the new reorganization as follows:

As previously pointed out, the common carrier bureau was the first of several industry bureaus to be set up. The bureau in turn was divided into three main industry divisions, telephone, telegraph, and international, plus the office of the chief, the reports and statistics division, and the field offices. There is also an assistant chief of the bureau.

THE article then describes the functions of the administrative unit of the bureau:

The administrative unit is responsible for files, supplies, mails, and the general housekeeping functions of the bureau. It can collect budget material. Following the traditional line-and-staff principle it is supposed to secure a certain amount of technical guidance from the office of administration of the commission itself. The reports and statistics division includes the old personnel and functions previously located in the common carrier branch of the accounting bureau. The field co-ordination unit integrates the field programs with the Washington office.

The organization and personnel of the new bureau are then summarized as follows:

Telephone division	41 employees
Telegraph division	16 employees
International division	19 employees
Office of the chief	12 employees
Reports and statistics unit....	12 employees
Field offices (Atlanta, New York, St. Louis, San Francisco) ...	32 employees

132 employees

The analysis of the common carrier

bureau concludes with the following statement:

The newly appointed division heads are all comparatively young men of energy and ability. This augurs well for the future. They come to their new position with a variety of backgrounds. They were selected primarily because of their broad knowledge and administrative ability, rather than because of any specialized knowledge. Should the new type of organization prove effective, it would belie the frequently made criticism of the nonprofessional basis of organization—i.e., that it is difficult to secure men competently trained to head bureaus which cut across professional lines.

PROFESSORS Thatcher and Clemens have something to say about co-operation with state commissions. They suggest that if its research activities should be expanded the FCC might well become a valuable clearing house for regulatory information that normally might not be available to state commissions. They suggest as reasons for this that state regulation of the "monopolistic Bell system" has been made less effective by virtue of the fact that the state commissions lack both standards of comparison and regular liaison lines to other state commissions. They cite that generally a Bell company is the only telephone utility of its class under the jurisdiction of a state commission. Because of this and the fact that state commissions commonly lack both interstate and intrastate standards of comparison, according to the authors, the "clearing house" idea is advanced.

They note that the order establishing the common carrier bureau of the commission specifically provides for co-operation with representatives of the state commissions and the National Association of Railroad and Utilities Commissioners. The commission has also given its approval to a bill now before Congress (HR 7385) which would permit the expansion of the field offices of the commission and permit the loan of staff members to the state commissions,

EXCHANGE CALLS AND GOSSIP

with the states paying the salaries and expenses.

Western Union-Western Electric Invention Agreement

THE Western Union Telegraph Company and the Western Electric Company have recently signed a non-exclusive cross-licensing patent agreement. The action is described by company officials as one which "should further the technical leadership of the United States in communications in that it will make inventions of each company available to the other for the public benefit."

Under the agreement, signed by Western Electric for itself and for the American Telephone and Telegraph Company and their subsidiaries, Western Union receives a nonexclusive license in the wire telegraph field under all Bell patents. Western Electric and American Telephone and Telegraph receive a non-exclusive license in the communications field under Western Union patents.

The agreement, effective September 15, 1951, will continue indefinitely unless terminated by one year's advance notice given after December 31, 1957.

Under the agreement the two companies license each other to use inventions made before as well as during the life of the agreement. Rights acquired under the agreement to use patented inventions continue for the lives of the patents. Western Union will benefit from the proposed agreement since it will be able to use the Bell system's patented inventions in its developments in the public record communications field. Likewise, the Western Electric Company and the American Telephone and Telegraph Company will be able to use Western Union's patented inventions.

RCA Color Television

THE Federal Communications Commission will probably have the old question of color television bobbing up

again shortly. Officials of the Radio Corporation of America have announced that RCA is now conducting tests of its "compatible color television" over the coaxial cable and microwave relay systems of the American Telephone and Telegraph Company between New York and Washington. Officials are so pleased with the performance that more extensive showings before an other-than-company audience are scheduled for Washington in early October.

Brigadier General Sarnoff, chairman of the board of the Radio Corporation of America, made the statement that the results of the tests were excellent. Switches were made frequently during the tests between the coaxial cable system and the microwave system of AT&T, and General Sarnoff stated that the color program was "just as good as it was in New York city" during past tests.

In addition to the color program from the New York city studios, a remote pickup was used from the Merchant Marine Academy at Kings Point, Long Island. The program covered an outdoor parade of the cadets carrying various colored flags and other insignia. That part of the program was brought from Kings Point, Long Island, over an RCA microwave radio transmitter to the studios of the National Broadcasting Company in New York. From there the program continued to Washington over the coaxial cable and relay system of the AT&T. Sarnoff claimed that this test proved that had the color program been sent over the existing transcontinental radio relay facilities, it could have been seen just as well in Los Angeles and San Francisco, as it was seen in New York and Washington.

Antigambling Bills

BELL and independent telephone companies have intervened on behalf of changes in the antigambling bills that would prevent the legislation from placing too much of a police burden on telephone companies.



Financial News and Comment

By OWEN ELY

The Electric Utilities' Postwar Construction and Finance Programs

ON September 14th President George M. Gadsby of the Edison Electric Institute addressed a luncheon forum of the New York Society of Security Analysts, with a large and attentive audience. His talk bore the title "The Investor-owned Utilities Are Meeting Their Responsibilities," and he presented a number of colored charts illustrating the past, present, and projected trends of the electric utility industry for the period 1946-54.

He summarized the postwar construction program (for the private utilities only) as follows:

Total 1946-51 Program	Completed To 8/1/51 (5 Yrs. 7 Mos.)	To Be Completed By 12/31/54 (3 Yrs. 5 Mos.)
Nine-year Period .	62%	38%
Capacity 38.8 Mil- lion KW	46%	54%
Cost \$16.6 Billion .	57%	43%

While the cumulative capacity at the end of 1954 (in the table) works out as 102,000,000 kilowatts, the actual total would probably be about 100,000,000 kilowatts, allowing for the retirement of 2,000,000 kilowatts. The total would still, of course, include a large amount of obsolete capacity, which the utilities prefer to use only in peak periods or emergencies. However, over half of the total will then

be modern-type postwar equipment (if the program is completed).

The scheduled program for both private and government construction of new capacity is shown by years in the accompanying table:

	Total Capacity (Million KW)		
	Yearly Additions	Cumulative Additions	Year-end Totals
1945			50.1
19462	.2	50.3
1947	2.0	2.2	52.3
1948	4.3	6.5	56.6
1949	6.5	13.0	63.1
1950	5.4	18.4	68.5
1951	7.3	25.7	75.8
1952	8.7	34.4	84.5
1953	11.2	45.6	95.7
1954	6.3	51.9	102.0

THE above construction program includes the budgeted construction of all Federal agencies, and the final setup in 1954 will be 75 per cent private and 25 per cent government and "govern-

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FINANCIAL NEWS AND COMMENT

ment control." At the end of 1945 about 80 per cent of capacity was privately built and the proportion remained the same at the end of 1950. At the end of 1954 the proportion will probably drop to about 78 per cent, and in 1954 to 75 per cent.

Formerly, government construction was entirely hydro but now the government proposes to construct some huge steam plants (not merely TVA, but also units scattered throughout a number of other states).

In the combined 1946-54 construction program, less than 18 per cent will be hydro construction. In 1945 the proportion of installed hydro capacity was nearly 30 per cent and at the end of 1950 the proportion had dropped to 26 per cent. There will be some further decline in the ratio by 1954, probably to 24 per cent. Both the government and utilities have found that, while hydro power is cheap to produce, it is dependable (because of changing weather conditions) only in certain areas. Stand-by steam capacity or dependable purchase arrangements are necessary to guarantee noninterruptible service.

Moreover, while both the government and the private utilities are planning new hydro construction, it is obvious that the best sites already have been developed.

As mentioned in this department in the previous issue, the "Interim Electric Power Survey," prepared by the Edison Electric Institute as of July 1st, indicated that due to the present severe shortages of metals (particularly copper) the construction program for 1951 might be 500,000 kilowatts short of earlier estimates, and for 1952 some 2-4,000,000 kilowatts deficient. This would mean that the amount to be added in 1952 would only be about half or three-quarters of the amount planned. This would reduce reserve capacity to a relatively low percentage, if the anticipated peak loads materialize as forecast. The estimates recently prepared by the Federal Power Commission showed the following increases in peak-load requirements, for

December of each year (class A and B utilities only, or about 95 per cent of the private power industry):

	Million KW	Yearly Increase	Cumulative Percentage Of 1950
1950	61.7	—	100%
1951	69.5	13%	113
1952	76.2	10	124
1953	82.5	8	134
1954	87.8	6	142

While the EEI estimates of future capacity include Federal construction and 100 per cent of the electric utilities, it may be of interest to compare, again taking 1950 as 100 per cent, the year-end capacity figures based on the EEI forecast:

	Million KW	Yearly Increase	Percentage Of 1950
1950	68.5	—	100
1951	75.8	11%	110
1952	84.5	12	123
1953	95.7	13	140
1954	102.0	7	149*

*Adjusted for retirements these figures would be slightly lower, and the increase for 1954 would approximate 46 per cent.

These figures indicate that (if the construction program goes according to schedule) capacity should about keep pace with increased peak loads through 1953; and that after that date there will be an increase in reserve capacity. This agrees with earlier estimates.

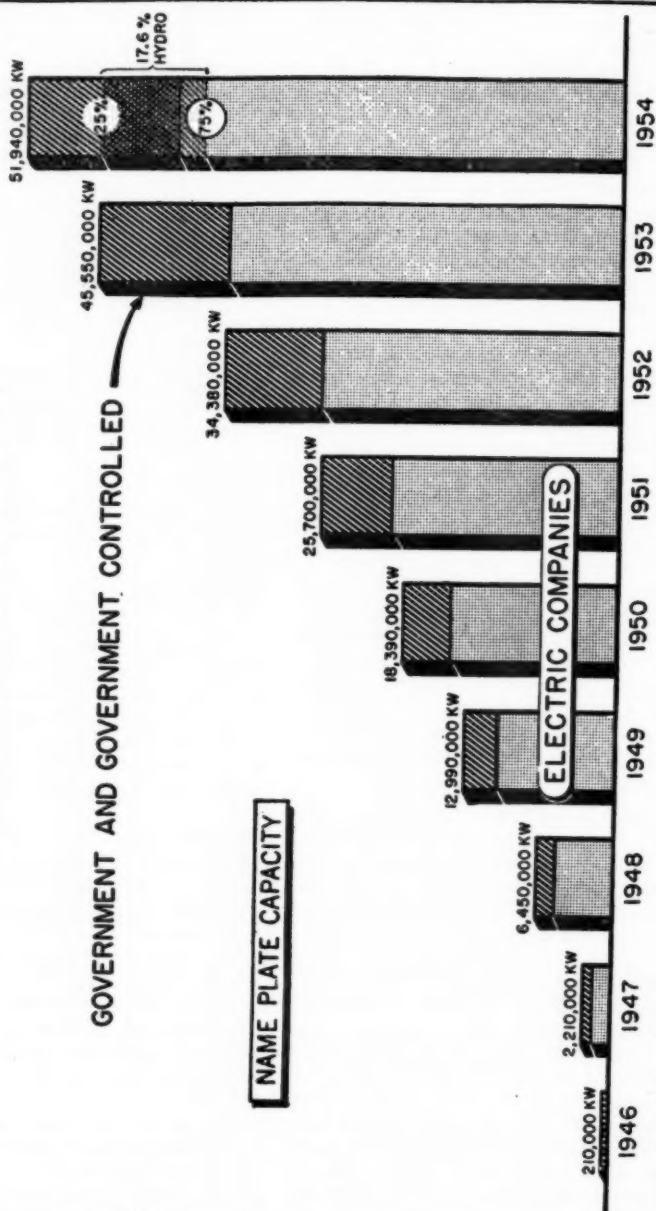
TURNING again to the question as to whether the program can be maintained, Mr. Gadsby stated in his address that "the manufacturers have substantially increased their plant capacities to make more turbines, generators, water wheels, boilers, transformers, and all the auxiliary plant equipment so that today the bottleneck is allotment of both ferrous and nonferrous metals." The problem is therefore simply one of government allotments of necessary materials. If the government does not consider the expansion program important enough to allocate enough copper or substitute materials, to turn out generators and auxiliary machinery, the program in 1953-54 will lag.

POSTWAR CONSTRUCTION PROGRAM OF ELECTRIC UTILITIES

GOVERNMENT AND GOVERNMENT CONTROLLED

NAME PLATE CAPACITY

ELECTRIC COMPANIES



NOTE: E.E. DATA AS OF AUGUST 15, 1951

FINANCIAL NEWS AND COMMENT

Can the industry get by with these "lowered sights" for construction? There are one or two factors which should be kept in mind, as possible offsets. In the first place, estimated peak-load requirements may prove to be somewhat on the high side. During World War II peak loads increased sharply during 1941-43 but remained almost unchanged during 1944-45, when the war effort was greatest. During the whole period there were only three years when peak capacity increased as much as 10 per cent (1940, 1941, and 1943); and the over-all increase during the period was about 38 per cent.

The present program calls for an increase of 40 per cent in three years, as compared with the similar increase in World War II spread over four years. Also, the present increase follows an interim increase of 50 per cent in the post-war period.

But of course there is an important difference between present defense needs and those during World War II. We are greatly increasing the production of aluminum, chemicals, and atomic fission products, all of which are great consumers of electricity. Also, we are trying to avoid rationing and produce as many consumption goods as possible—though these are necessarily subordinated to defense goods.

But the important factor in 1953 seems (to this observer) to be that the same shortages which will reduce the output of generators may also greatly curtail the output of consumer goods, and to some degree of defense goods. To the extent that these shortages were not duly included as factors in the projection of peak loads, the latter estimates may prove too high.

ANOTHER point to keep in mind is that the construction program as described in the beginning of this article, and as shown in the chart on page 508 is based on *name-plate capacity* rather than capability. This is illustrated by the chart on page 510.

Mr. Gadsby stated as follows in

discussing this chart (which also includes government power agencies):

Capability differs from name-plate rating used in earlier charts in that thermal units usually have a capability considerably in excess of their name-plate rating, while hydro installations are usually made for the maximum economic peak carrying capacity, which on unregulated streams is often considerably less than either firm load capacity or capability at time of system peaks. The figures [in the chart, page 510] are compiled on the basis of the actual output capacity of all units at the time of maximum demand. It will be noted that during World War II total capability increased about 11,400,000 kilowatts, a little less than 32 per cent. The actual increase 1945 to 1951 is over 27,000,000 kilowatts, an increase of 57 per cent, with a like amount of additions yet to come, so that at the end of 1954 the total capability of all the electric utilities will be 101.23 million kilowatts, an increase since the beginning of World War II of 183 per cent.

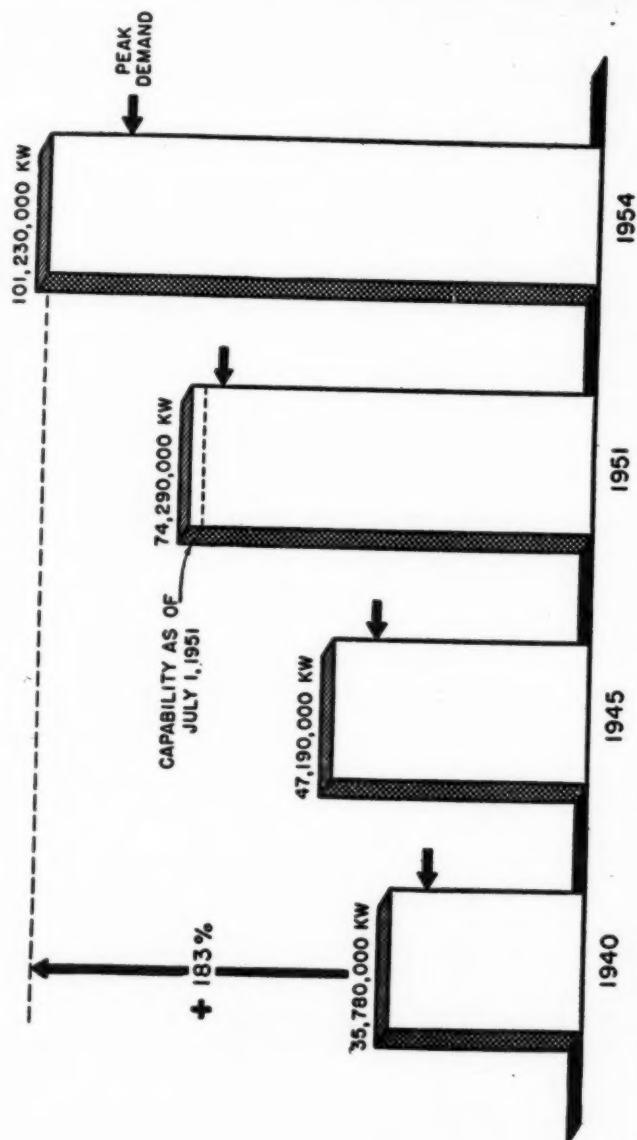
Thus there is a plus factor in this steady gain of "capability" as measured against "name plate." It seems doubtful to the writer whether the capability figures make sufficient allowance for possible temporary additions to capacity through overloads, widespread pooling, etc.

Thus, while the chart on page 508 indicates that reserve capacity at the end of 1951 may approximate only 8 per cent—or perhaps 4 per cent if construction is retarded as feared—temporary "overloads" (with other devices such as reduction of voltage) should get the industry by in most areas. For this reason talk of a *general* power shortage, which is beginning to appear in the headlines again, should be discounted.

TURNING again to the finance program of the private utilities, we note that while, according to Mr. Gadsby's estimates, 54 per cent of the construction program remains to be completed, the

CAPABILITY OF ELECTRIC UTILITIES OF U.S.

MEDIAN WATER CONDITIONS



DATA INCLUDE ELECTRIC COMPANIES AND PUBLIC BODIES BUT ONLY CLASS I UTILITIES (ABOUT 96 1/2% OF INDUSTRY)

ECI DATA AS OF AUGUST 15, 1954

FINANCIAL NEWS AND COMMENT

financial burden will be easier, the funds to be raised amounting to only 43 per cent; *i. e.*, \$7,200,000 compared with \$9.4 billion in 1946-51. Not much financing was required in 1946 or early 1947, so that this tends to equalize the annual rates of financing in the two periods. The reason why so much more capacity can be installed in the later period per dollar of financing is that much of the construction of *distribution* facilities has been completed—from here on this will take only 21 per cent of total funds as contrasted with 40 per cent in 1946-51.

Mr. Gadsby thinks that the \$7.2 billion program will have to be raised with a larger proportion of common stock financing than was the case earlier. The percentages compare as shown in the following table:

	First Program (1/1/46 to 8/1/51)	Second Program (8/1/51 to 12/31/54)
Internal Cash* ..	38%	37%
Debt	41	40
Preferred Stock ..	9	4
Common Stock ..	12	19
	100%	100%

*Depreciation, amortization, and excess earnings—the latter item is equivalent to equity financing.

MR. GADSBY was queried at the forum as to the reason for the relatively high proportion of common stock financing expected in the second period. It is understood that the figures are based largely on a projection of actual financing in the first half of 1951. This method of preparing the estimate raises some questions, particularly with the possibility that pending higher income tax rates may cut deeply into 1951-52 earnings, and that it may take six months to a year to obtain compensating rate increases. It appears likely in this event that the utilities may again make greater use of convertible debentures, bank loans, etc. Also they may have to pay higher dividend rates on preferred stock issues than in the recent past, in order to stimulate this method of financing, which has been

neglected recently in current operations.

Mr. Gadsby presented a chart showing the Federal and other taxes paid by electric utilities during 1937-51. On the basis of the pending tax bill he estimated that total taxes in 1951 would be \$724,000,000 compared with \$558,000,000 in 1950, an increase of about 30 per cent; but with smaller increases in state and local taxes, the increase in the tax load as a whole would approximate 23 per cent.

WITH reference to the rate increases necessary to offset higher taxes, Mr. Gadsby quoted from a statement by Chairman John H. Hessey of the Maryland Public Service Commission, who represented the NARUC before the Senate Finance Committee in the tax hearings August 1st:

Any additional tax imposed upon regulated public utilities will, generally speaking, reduce their net income below the amount which the several state regulatory commissions have fixed as a fair and reasonable return to the utility. Therefore, if an increased income tax rate is made applicable to regulated utilities, it would be *mandatory* on the several state commissions to allow an increase in rates, in order to enable them to earn a reasonable return. Upon a failure of the commissions to do so, resort could be had to the state and Federal courts, and such courts would be compelled to reverse the commission.

OBVIOUSLY, the problems of correctly forecasting industry trends is highly important at this time. The Edison Electric Institute will, in a few weeks, publish another revision (in its regular eleventh survey) of its estimates for 1951-54. This should prove of great value in appraising the future need of new financing, including new equity issues. In the meantime, final passage of the pending tax bill will permit a more accurate appraisal of the future trend of stock earnings, and the necessity for higher rates to close the gap due to tax inroads should be fully demonstrated.

PUBLIC UTILITIES FORTNIGHTLY

CURRENT UTILITY STATISTICS AND RATIOS

		Latest Month	Latest 12 Mos.	Per Cent Increase Latest Month	Latest 12 Mos.
Operating Statistics (July)					
Output KWH—Total	Bill. KWH	30.4	355.4	14%	16%
Hydro-generated ..	"	8.3	—	10	—
Steam-generated ..	"	22.1	—	15	—
Capacity	Mill. KW	72.7	—	10	—
Peak Load (May)	"	58.4	—	12	—
Fuel Use: Coal	Mill. tons	8.1	—	14	—
Gas	Mill. MCF	82.3	—	23	—
Oil	Mill. bbls.	4.4	—	D18	—
Coal Stocks	Mill. tons	36.6	—	46	—
Customers, Sales, Revenues, and Plant (June)					
KWH Sales—Residential	Bill. KWH	4.3	53	13%	14%
Commercial	"	3.6	42	9	10
Industrial	"	11.2	129	14	21
Total, Incl. Misc. ..	"	25.4	301	11	14
Customers—Residential	Mill.	29.3	—	5	—
Commercial	"	4.2	—	1	—
Industrial	"	.5	—	3	—
Total	"	36.3	—	4	—
Income Account—Summary (June)					
Revenues—Residential	Mill. \$	127	1,556	11%	11%
Commercial	"	98	1,155	8	8
Industrial	"	123	1,422	12	16
Total, Inc. Misc. Sales	"	386	4,565	10	11
Sales to Other Utilities	"	32	386	7	5
Misc. Income	"	15	202	D8	2
Expenditures					
Fuel	"	68	808	18%	14%
Labor	"	82	966	9	9
Misc. Expenses	"	65	781	3	3
Depreciation	"	39	455	8	11
Taxes	"	89	1,047	22	26
Interest	"	23	269	8	7
Amortization, etc.	"	2	21	14	D4
Net Income	"	63	805	D6	D1
Preferred Div. (Est.)	"	10	114	9	9
Bal. for Common Stock (Est.) ...	"	53	691	D7	D1
Common Dividends (Est.) ..	"	43	516	8	9
Balance to Surplus (Est.)	"	10	175	D29	D2
Electric Utility Plant (June)	"	\$19,760	—	9%	—
Reserve for Deprec. and Amort.	"	4,060	—	8	—
Net Electric Utility Plant	"	15,700	—	10	—
*Electric and Gas Utility New Money Financing (August)					
Bonds	Mill. \$	84	995	—	1%
Preferred Stocks	"	—	74	—	D37
Common Stock	"	6	318	**	29
Total	"	\$90	\$1,387	—	D3%
Total Electric	"	\$64	\$816	—	D9%
Total Gas	"	26	571	—	7%
Life Insurance Investments (January 1st-September 8th)					
Utility Bonds	"	—	500	—	D46%
Utility Stocks	"	—	34	—	D76
Total	"	—	534	—	D50

D—Decrease. *—As compiled by Irving Trust Company. **—Not available.
OCT. 11, 1951 512

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RECENT FINANCIAL DATA ON GAS COMPANY STOCKS

	9/19/51 Price About	Indicated Dividend Rate	Approx. Yield	Share Cur. Period	Earnings Prev. Period	% In- crease	Price- Earnings Ratio	Div. Pay- out
Producers and Pipeline Companies								
O Commonwealth Gas	11	\$.15	1.4%	\$.74d	\$.62	19%	14.9	20
S Mississippi Riv. Fuel	34	2.00	5.9	3.26je	2.58	26	10.4	61
O Missouri-Kans. P. L.	55	1.60	2.9	1.66d	4.32	D62	—	96
S Southern Nat. Gas	48	2.50	5.2	3.87je	3.44	13	12.4	65
O Southwest Nat. Gas	6	.20	3.3	.35je	.29	21	—	57
O Tenn. Gas Trans.	26	1.40	5.4	1.84je	1.24	48	14.1	76
O Texas East. Trans.	18	1.00	5.6	1.93d	1.49	30	9.3	52
O Texas Gas Trans.	18	—	—	1.95d	.81	141	9.2	—
Average			4.2%				11.7	
Integrated Companies								
S American Natural Gas	33	\$1.60	4.8%	\$2.26je	\$1.98	34%	12.4	60
S Columbia Gas System	15	.80	5.3	1.30je	1.11	17	11.5	62
S Consol. Nat. Gas	59	2.25	3.8	5.65je	4.71	20	10.4	40
S El Paso Nat. Gas	33	1.60	4.8	3.08ju	1.40	120	10.7	52
S Equitable Gas	21	1.30	6.2	1.84je	2.21	D17	11.4	71
O Interstate Nat. Gas	40	2.50	6.3	3.25d	2.50	30	12.3	77
O Kansas-Neb. Nat. Gas ...	22	1.12	5.1	1.95d	1.63	20	11.3	56
C Lone Star Gas	28	1.40	5.0	1.89je	2.05	D8	14.8	74
S Montana-Dakota Utils. ...	24	.90	3.8	1.06je	1.20	D12	—	85
O Mountain Fuel Supply ...	18	.70	3.9	.99d	.91	9	18.2	61
C National Fuel Gas	14	.80	5.7	1.28je	1.22	5	10.9	63
O National Gas & Oil	8	.40	5.0	1.04d	.62	68	7.7	38
S Northern Nat. Gas	37	1.80	4.9	1.86je	2.27	D18	19.9	97
C Oklahoma Nat. Gas	32	2.00	6.3	3.01ju	2.96	2	10.6	66
C Pacific Pub. Serv.	15	1.00	6.7	2.23d	2.08	7	6.7	45
S Panhandle East. P. L.	54	2.00	3.7	2.86je	2.58	11	18.9	70
S Peoples Gas Lt. & Coke ..	121	6.00	5.0	8.58je	9.51	D10	14.1	70
O Southern Union Gas	22	.80	3.6	1.51d	1.34	13	14.6	53
S United Gas	23	1.00	4.3	1.61je	1.51	6	14.3	62
Average			5.0%				12.8	
Retail Distributors								
O Atlanta Gas Light	22	\$1.20	5.5%	\$2.00je	\$2.23	D10%	11.0	60
C Bridgeport Gas	23	1.40	6.1	1.47d	1.88	D22	15.6	95
O Brockton Gas Lt.	23	1.40	6.1	1.44d	1.48	D3	16.0	97
S Brooklyn Union Gas	45	3.00	6.7	3.99je	4.34	D8	11.3	75
O Central El. & Gas	11	.80	7.3	1.05je	1.03	2	10.5	76
C Consol. Gas Util.	12	.75	6.3	1.56ju	1.48	5	7.7	48
O Hartford Gas	35	2.00	5.7	2.68d	2.67	—	13.1	75
O Haverhill Gas Lt.	34	1.80	5.3	2.01ju	2.03	D1	16.9	89
O Houston Nat. Gas	16	.80	5.0	1.06ju	1.45	D27	15.1	75
O Indiana Gas & Water	24	1.40	5.8	2.16ju	2.13	1	11.1	65
O Jacksonville Gas	35	1.40	4.0	4.97d	4.77	4	7.0	28
C Kings County Ltg.	8	.40	5.0	.45d	.64	D30	17.8	89
S Laclede Gas	8	.50	6.2	.87ju	.81	7	9.2	57
O Michigan Gas Utils.	12	—	—	1.12je	.76	47	10.7	—
O Minneapolis Gas	19	1.05	5.5	1.39je	1.08	29	13.7	76
O Mobile Gas Service	30	1.60	5.3	3.04je	3.03	—	9.9	53
O New Haven Gas Lt.	26	1.60	6.2	1.92d	1.70	13	13.5	83
S Pacific Lighting	53	3.00	5.7	4.04je	3.29	23	13.1	74
O Providence Gas	9	.50	5.6	.57d	.56	2	15.8	88
C Rio Grande Valley Gas ...	2	.12	6.0	.20je	.18	10	10.0	60
O Rockland Gas	35	1.70	4.9	4.63d	4.41	5	7.6	37
O Seattle Gas	17	.60	3.5	1.45je	1.37	6	11.7	41
S United Gas Improv.	28	1.40	5.0	2.29jePF	NC	—	12.2	61
S Wash. Gas Light	26	1.50	5.8	2.69je	2.22	21	9.7	56
Average			5.6%				12.1	

PUBLIC UTILITIES FORTNIGHTLY

RECENT FINANCIAL DATA ON TELEPHONE, TRANSIT, AND WATER COMPANIES

	9/19/51 Price About	Indicated Dividend Rate	Approx. Yield	—Share Cur. Period	Earnings# Prev. Period	% In- crease	Price- Earnings Ratio	Div. Pay-out
Communications Companies								
<i>Bell System</i>								
S Amer. Tel. & Tel.	159	\$9.00	5.7%	\$13.00*	\$11.22*	16%	12.2	69
O Cinn. & Sub. Bell Tel.	75	4.50	6.0	4.59d	4.79	D4	16.3	98
C Mountain Sts. T. & T.	104	6.00	5.8	6.99je	5.19	35	14.9	86
C New England Tel.	111	8.00	7.2	11.26je	10.01	12	9.9	71
S Pacific Tel. & Tel.	110	7.00	6.4	9.06my	6.42	41	12.1	77
O So. New Eng. Tel.	33	1.80	5.5	2.12d	1.79	18	15.6	85
Averages			6.1%				13.5	
<i>Independents</i>								
O Central Telephone	11	\$.80	7.3%	\$1.42je	\$1.04	37%	7.7	56
S General Telephone	30	2.00	6.7	2.46ju	.81	204	12.2	81
C Peninsular Tel.	40	2.50	6.3	3.78je	4.14	D9	10.6	66
O Rochester Tel.	13	.80	6.2	1.52d	.90	69	8.6	53
Transit Companies								
O Chicago SS. & S. B.	11	\$1.00	9.1%	\$1.67d	\$.91	84%	6.6	60
O Chicago No. Sh. & Mlke. ..	44	—	—	.46d	NC	—	9.8	—
O Cinn. St. Ry.	5	.30	6.0	.19d	.84	D77	—	158
O Dallas Ry. & Term.	13	1.40	10.8	1.76d	1.39	27	7.4	80
S Greyhound Corp.	11	1.00	9.1	1.23je	1.14	8	8.9	81
O Los Angeles Transit	5	.50	10.0	.51d	.84	D39	9.8	98
S Nat. City Lines	104	1.00	9.5	1.90d	1.75	9	9.6	53
O Rochester Transit	5	—	—	.13d	NC	—	—	—
O St. Louis P. S. A.	9	.50	5.6	.41d	.48	D15	—	122
O Syracuse Transit	27	2.00	7.4	2.89d	.62	366	9.3	69
S Twin City Rapid Tr.	10	—	—	—	—	—	—	—
O United Transit	3	—	—	.68d	.55	24	4.4	—
Averages			8.4%				8.2	
Water Companies								
<i>Holding Companies</i>								
S Amer. Water Works	8	\$.50	6.3%	\$1.09je	\$.81	35%	7.3	46
O N. Y. Water Service	26	.80	3.1	2.17je	1.33	63	12.0	37
<i>Operating Companies</i>								
O Bridgeport Hydraulic	31	\$1.60	5.2%	\$1.45d	\$1.57	D8%	21.4	110
O Calif. Water Serv.	28	2.00	7.1	2.20ju	2.41	D9	12.7	91
O Elizabethtown Water	100	6.00	6.0	6.96d	8.37	D17	14.4	86
S Hackensack Water	31	1.70	5.5	2.73d	2.68	2	11.4	62
O Jamaica Water Supply ...	23	1.50	6.5	2.20je	1.72	28	10.5	68
O New Haven Water	55	3.00	5.5	3.25d	3.45	D6	16.9	92
O Ohio Water Service	22	1.50	6.8	2.07je	1.66	25	10.6	72
O Phila. & Sub. Water	31	.80	2.6	3.06d	3.49	D12	10.1	26
O Plainfield Union Wt.	51	3.00	5.9	4.16d	5.09	D18	12.3	72
O San Jose Water	32	2.00	6.3	2.60ju	2.88	D10	12.3	77
O Scranton-Spring Brook ...	15	.90	6.0	1.00je	1.08	D7	15.0	90
O Southern Cal. Water	8	.65	8.1	.83m	.77	8	9.6	78
O Stamford Water	52	2.00	3.8	2.10d	2.35	D11	24.8	95
O West Va. Wt. Service	20	1.20	6.0	1.31d	1.29	2	15.3	92
Averages			5.8%				14.1	

D—Deficit. C—Curb exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. *Based on average number of shares outstanding. #In order to facilitate comparisons, earnings are calculated on present number of shares outstanding, except as otherwise indicated. PF—*pro forma*. **July, 1950 (fiscal year). d—December, 1950, m—March, my—May. je—June. ju—July. NC—Not comparable.



What Others Think



Uncle Sam's Chronic Understatement

A SUBCOMMITTEE of the House Appropriations Committee recently issued a report critical of the Army Engineers and their dam and flood-control activities. Emphasis was placed on the underestimating record of the Engineers. The following day Representative Norris Poulson (Republican, California) through extension of remarks in the *Congressional Record*, scored the Bureau of Reclamation for the same practices.

He stated that the Army Engineers have not deceived Congress any more, if as much, than the Bureau of Reclamation. He added that an examination of the record may disclose that the Bureau of Reclamation has been "a far greater deceiver" than the Army Engineers. He added:

Comparisons in the case mean nothing, for if either one of these bodies are deceiving the Congress, they should be exposed and punished. But it is strange that the Bureau of Reclamation was not exposed, and did not draw the wrath of the Congress long ago. For they are old offenders, and we members of the Interior and Insular Affairs Committee have long been faced with gross misrepresenta-

tion and deception on the part of the Bureau of Reclamation witnesses, when it comes to the actual cost of a proposed project.

Poulson then produced figures of Reclamation projects which he maintained would show that Reclamation project estimates run "from 100 to several hundred per cent low." The figures are as shown in the table below.

THE Congressman then continued that "one of the most dishonest estimates" given Congress recently by the Bureau of Reclamation has to do with the proposed Central Arizona project. He added that the bureau estimated the construction cost of this project roughly at \$788,000,000, but nowhere in the bureau's report on this project are there estimates of the additional features that would have to be constructed to make the Central Arizona project workable. He went on:

For instance, the main dam of the Arizona project would be filled with silt within twenty-five to twenty-nine years without the building of other dams and reservoirs upstream. The bureau does not include these addi-



Project	Original Estimate	Present Estimate
Boulder Canyon	\$126,500,000	\$173,900,000
Davis Dam	41,200,000	114,438,000
Central Valley	170,000,000	581,886,000
Colorado-Thompson	44,000,000	150,503,000
Fort Peck	5,732,554	16,250,000
Hungry Horse	36,648,000	108,800,000
Columbia Basin	393,000,000	773,339,000
Kendrick	20,000,000	25,000,000
Riverton	9,500,000	21,813,403
Shoshone	8,851,360	16,851,705
Missouri River Basin	529,152,800	2,834,427,848

PUBLIC UTILITIES FORTNIGHTLY

tional works in its estimate, yet they would add at least half a billion dollars to the estimated cost of the project.

Now, I wish to inform the House Appropriations Committee, and the Senate, as well, that in the project bills as they are presented to the Congress, the Bureau of Reclamation has inserted a paragraph, or section, which is the most dangerous and iniquitous section that could be placed in any bill having to do with appropriations.

This section gives the Secretary of the Interior carte blanche when it comes to spending money on a project.

This section is in the Central Arizona project bills—HR 1500 and S 75.

Poulson then elaborated on his disclosure that the bill contained a blanket authority for the Secretary of the In-

terior. He referred to testimony by a Reclamation witness, one Mr. Neilson, who at the hearings on the bill admitted that the bill had the "catchall element of this kind so that the secretaries will not be bound by the specific element so that he may make changes in the interest of a more economical project."

The California Congressman then charged that for years the Bureau of Reclamation has been absorbing more power over the economy of many states, and, unless it is stopped, we are headed for bankruptcy or Communism. He further charged that the bureau has consistently deceived the Congress, both individual members and the entire body, and if any of the members of the Appropriations committees wish to take the time, they can issue a report that will greatly overshadow the deficiencies of the Army Engineers.

Pennsylvania Electric Association Meeting

THE Federal public power program was viewed recently as an attempt to "nationalize the electric power industry as the first step in securing a tight hold over all industry and business."

The charge was made by H. B. Bryans, president of the Philadelphia Electric Company, in an address at the opening session of the forty-fourth annual 2-day conference of the Pennsylvania Electric Association held in Philadelphia. Some 800 representatives of 29 light and power companies throughout the state attended the meeting, devoted to the theme, "Power for Progress."

Mr. Bryans accused the public power bloc of trying to sell the country, "under the guise of such things as flood control and soil conservation," the proposals for construction of nine colossal Federal power projects.

Flood Control a Subterfuge

"These," he said, "would cost the taxpayers at least \$60 billion, would largely parallel existing power lines, and would OCT. 11, 1951

require great quantities of scarce materials and man power so urgently needed elsewhere. The pattern of the past—and it will not likely be changed in the future—is that dams approved for flood control are ultimately turned into electric power plants."

Mr. Bryans also warned that the growing scarcity of essential materials such as steel and copper may seriously affect the defense program since it is forcing electric power companies of the nation to cut back on their vast expansion program.

For the country as a whole, he said, material shortages already have cut 1951 capacity additions by 1,000,000 kilowatts, and "now seem likely to cause a loss of from 2,000,000 to 4,000,000 kilowatts in 1952." This is a matter of grave concern, he added, because "our military program, which has been superimposed on a substantial civilian economy, cannot succeed without electricity."

Another speaker, George M. Gadsby, president of the Utah Power &

WHAT OTHERS THINK

Light Company, charged that the public power bloc "has the full backing of the administration in its attempt to create a national power system." The move, he said, is a "long step toward socialized economy."

George R. Conover, vice president of the Philadelphia Electric Company, told the conference that the industry, if it could obtain the necessary materials, would expand its facilities to meet all demands made upon it by civilian and defense economy.

Since the end of World War II, he said, the industry has spent billions of dollars to virtually double its capacity and meet the needs of the country, which it "gauged with uncanny accuracy."

The outgoing president of the association added that the government would have to take the blame for any power shortages that existed in future years if restrictions on materials blocked continuation of the industry's expansion program.

ANOTHER speaker, Dr. J. A. Hutcherson, a vice president of the Westinghouse Electric Corporation, predicted that twice as much electrical generating equipment as was made up to 1950 would be required to meet the nation's power needs in the next fifteen years.

Technological developments on electric generating equipment, Dr. Hutcherson said, will enable the utility industry

to cope with the greatly accelerated demand resulting from a high level of industrial activity and a sharp rise in the use of electrical conveniences in the home.

To prevent government inroads and ultimate control, the utility industry must finance expansion with private funds, Representative Richard Simpson, Republican of Pennsylvania, warned the association.

Speaking at the closing session of the group's forty-fourth annual convention, Mr. Simpson declared that if the money for expansion did not come from private sources, "the inefficient hand of government management will provide the money through deficit financing and then demand government control."

"Should this come to pass," he added, "private control of the electric light and power industry will diminish and politicians will once again prove their inefficiency as businessmen at the expense of every consumer of electricity."

R. A. Gallagher, of the Pennsylvania Electric Company, Johnstown, was elected president, succeeding Mr. Conover.

The association's merit award was presented to E. W. Oesterreich, of the Duquesne Light Company, for the development of the pole-top resuscitation technique, which has received national acclaim from electric utilities throughout the country.

Electrical Appliances

THE Northern Trust Company's (Chicago) letter for September contains an interesting review of electrical appliance sales in the last decade. The article points out that the increase in the number and use of electrical appliances in the home since 1940 has been impressive. Chief among the factors contributing to the growth of appliance sales has been the greater availability of electric current at declining rates and a constant improvement in the design

and operation of the equipment itself.

The letter goes on to say that this growth is shown by the 92 per cent increase in average kilowatt-hour sales per residential customer since 1940. Moreover, the number of customers has increased 50 per cent during this period. These over-all figures, large as they are, understate the growth in use of individual appliances. Available figures indicate that many of the newer appliances promise similar rapid growth.

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The bank letter then shows that at the beginning of this year, some 94 per cent of wired homes in the United States had radios, about 87 per cent had mechanical refrigerators, 87 per cent electric irons, 78 per cent electric clocks, and 72 per cent electric washers, according to statistics compiled by Electrical Merchandising. This is all the more impressive, according to the letter, when it is realized that electrification of American homes is now about 94 per cent. Vacuum cleaners and toasters are also well represented in the nation's dwelling places.

The letter also cites replacement sales as another factor in the over-all appliance picture. The fact that many homes can use more than one radio, clock, or other small appliance, indicates that the saturation point has not been reached even for the better-known products. More definite promise of expansion exists for such items as dishwashers, clothes dryers, waste disposal units, and room air conditioners, none of which is used in more than 2 per cent of wired homes.

THE Northern article observes that sales of household refrigerators totaled 6,200,000 last year, compared with 3,500,000 in 1941, the best prewar year, and 4,800,000 in 1948. Approximately 21,000,000 refrigerators were sold in the 5-year period 1946-1950, or about one for every other home. For the first time, replacement sales, estimated from dealer sampling at 52 per cent of the total, exceeded sales to homes not already owning refrigerators. The companion piece to the refrigerator, the home freezer, continued to gain in popularity.

The letter notes that uncommon prior to 1946, home freezer sales increased from 210,000 units in 1946 to 690,000 units in 1948. A decline occurred in 1949 to 485,000, but last year's purchases almost doubled to a new record of 890,000. Consumer preference for the larger freezers appears to be increasing. In 1948, freezers of 9 cubic feet or less accounted for 56 per cent of sales, but had

dropped to 44 per cent in 1950. Sales of electric ranges set an all-time record in 1950 at 1,830,000, compared with 1,600,000 in 1948 and 720,000 in 1941, the best prewar year. Despite this growth, sales of electric ranges fell far short of gas range sales, estimated at over 3,000,000 last year.

The letter then turns to the home laundry group, including washing machines, clothes dryers, and ironing machines. This group experienced generally satisfactory results in 1950. An impressive 4,212,000 standard-size electric washing machines were sold, an all-time record. For the first time, dollar volume of sales in automatic washers exceeded that in nonautomatic machines by a small margin, though automatics comprised only about 37 per cent of unit sales.

An estimated two-thirds of non-automatic washer sales were for replacement. Ironer sales usually run about one-tenth the number of washers. Last year, a total of 400,000 electric ironers were sold, falling short of the record 600,000 ironers sold in 1947. Original sales of ironers were far larger than replacement sales, constituting 80 per cent of the total. The newest addition to the home laundry family, the clothes dryer, nearly trebled its sales volume between 1949 and 1950. Approximately 295,000 electric and gas clothes dryers were sold last year compared with 106,000 in 1949 and 58,000 in 1947, the first year for which figures are available. Some 80 per cent or 235,000 of the units sold in 1950 were electric.

THE bank letter article notes that strong public interest continues to be manifested in those types of appliances designed to make everyday living more comfortable. Room air conditioners, dehumidifiers, dishwashers, food waste units, and electric blankets are in this category. Sales of room air conditioners amounted to 175,000 units last year, 83 per cent better than 1949, and orders were limited only by manufacturers' inability to keep up with demand.

The March of Events



In General

ABA Utility Section Meeting

THE impact of inflation on public utility rate regulation was the outstanding theme discussed by program speakers and utility lawyers attending the sessions of the Section of Public Utility Law of the American Bar Association, held in New York city on September 17th and 18th. (Text of these addresses will appear in forthcoming issues of PUBLIC UTILITIES FORTNIGHTLY.) Chairman Benjamin F. Feinberg of the New York Public Service Commission emphasized the rôle of the state commission and the importance of the cost basis for regulation in stabilizing the economic position of utilities.

Professor Herbert B. Dorau of New York University suggested the definite possibility that traditional rate-fixing formula based on return on property cost may collapse under the strain of continued deterioration of the purchasing power of the dollar. He pointed out that delay in rate relief is getting to the point where new applications are necessary before older rate applications have been granted. He pleaded for a more realistic economic approach to rate making. Ellsworth Nichols of Rochester, New York, chairman of the section's committee to report on developments in case law during the preceding year, led a panel dis-

cussion on utility cases during the first session.

State regulatory commissions, by and large, are showing a tendency towards granting higher rates of return on capital investment, according to Donald C. Power, president of General Telephone Corporation. He referred to a recent Massachusetts court case in which a return of less than 6.23 per cent was ruled confiscatory for a telephone company. Edward Hopkinson, partner of Drexel & Co. of Philadelphia, pointed to the continued need for attraction of investor confidence, in a careful analysis of current problems of utility financing.

Daniel P. Loomis of Chicago deplored the trend towards government seizure of public utilities as a method for settling labor disputes. John Lansdale, rate case specialist of the Cleveland bar, suggested that attorneys could help the situation by more effective preparation of cases, particularly in the matter of "proof of economic issues." Bradford Ross, chief counsel of the Federal Power Commission, participated in the panel discussion covering gas and electric cases.

A. J. G. Priest of New York was elected the new chairman of the Section of Public Utility Law, succeeding E. Smythe Gambrell, Atlanta attorney. Jonathan Gibson, Santa Fe railroad official and counsel, was elected vice chairman.

Arkansas

To Review Assessments

THE state public service commission will voluntarily review the 1951 assessments which have been sent to 11 gas

transmission and distribution companies. The assessments were increased for some companies as much as 300 per cent over the 1950 figures.

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Commissioners Gladden and Thompson said they considered this new basis for taxing the companies "excessive," adding that all will be re-examined. They said the tremendous assessment increases levied against the gas companies are not a precedent for the assessments against the other utility companies.

Because of the pressure of commission business they did not see the assessments before they were mailed out to the gas companies by the commission's tax division. The assessments to the other utilities will be studied closely by the commissioners before they are mailed.

The gas companies had planned to file formal protests against the assessments with the commission which would have brought about a review by the commission. Commission officials advised the companies to file their protests.

Signs Emergency Stop Order

PULASKI Circuit Judge Guy Amsler recently signed an emergency stop

order preventing the Arkansas Electric Co-operative Corporation from proceeding with contract awards for construction of a steam electric generating plant near Ozark.

The order was issued on a petition presented by attorneys for utilities in the area contending that contract awards were to be made before the September 29th hearing on a motion to stay the August 11th order of the state public service commission approving the plant.

The commission's action—a split 2-to-1 decision—was appealed to Pulaski Circuit Court on September 12th by the utilities and an electrical workers' union fighting the proposed northwest Arkansas project.

Amsler's order put a halt to reported contract negotiations for construction of the proposed 30,000-kilowatt plant and 544 miles of transmission lines, expected to be built with a \$10,500,000 REA loan. The plant would be operated by the Southwestern Power Administration under a 40-year lease.

Kentucky

Utility Offers to Install REA Unit

KENTUCKY UTILITIES COMPANY last month announced an offer to install an REA generating unit at the KU Tyronne power plant which it said would save the co-ops and the taxpayers millions of dollars.

The utility company said the proposal would eliminate "any possible need for a separate REA plant and 1,484 miles of duplicating transmission lines." The East Kentucky Rural Electric Co-operative Corporation wants to build its own gen-

erating plant at Ford, Kentucky, and transmission network.

The recent proposal was the latest move in a long-standing controversy between KU and East Kentucky over the REA group's plans to produce and transmit its own power. KU and the state's other private electric companies have maintained that they give and will continue to give better and cheaper electric service to the co-ops than East Kentucky could with its own system. Pending is a utility suit in Franklin Circuit Court to prevent construction of the REA generating and transmission system.

Michigan

Bond Issue Proposed

MEMBERS of the Lansing city council last month authorized submission of a proposal at the November 6th election, calling for a \$6,000,000 bond issue

to finance badly needed expansion of Lansing's municipal electric power-producing and distribution system.

The proposal is being submitted at the request of the board of water and elec-

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tric light commissioners, after they had explained the near-critical situation which is facing the utility system.

If approved, the board will sell \$6,000,000 in general obligation bonds as needed, to finance the expansion program. It was strongly emphasized that the bonds will be paid off from earnings

of the electric system without any cost to the taxpayer.

It was pointed out that the expansion is necessary to make certain the supply of electricity for defense work which will mean jobs for most Lansing people, and to assure a continuous supply of electricity for homes and stores.

New York

Cost Basis Rejected As Condemnation Standard

CONTRARY to earlier published reports (PUBLIC UTILITIES FORTNIGHTLY, issue of August 30, 1951, page 321) opposition has been voiced to the contention of public service commission attorneys that the recent condemnation award of \$7,320,000 for the South Bay Consolidated Water Company properties was unjustified. It was pointed out that the condemnation award under which Suffolk County Water Authority takes over the Long Island properties was the result of an adversary proceeding of which all interested parties had notice and opportunity to contest. The award was confirmed by the county court on the basis of engineering studies and appraisals.

It was subsequently confirmed by the U. S. District Court in which the

reorganization of South Bay was pending—with the Securities and Exchange Commission consenting. Commission counsel had contended that the depreciated original cost of more than \$3,500,000, as carried on the books under commission requirements for rate making and financing purposes, should have been considered as a measure of value. Counsel for the company, however, contend that valuation of utility properties for purposes of sale, condemnation, taxation, etc., is not bound by the original cost standards required by the commission for rate making and financing.

The Suffolk County Water Authority was authorized by law to purchase or otherwise acquire and operate a water supply system. Unable to negotiate a sale, the authority instituted condemnation proceedings against the company last March with the approval of U. S. Judge Leibell of the Federal district court.

Washington

Sale of Bus Line Proposed

DARRELL S. PECK, manager of Spokane City Lines, recently proposed that Spokane take over ownership of the bus company, but city commissioners said they had not been approached by the company.

"The bus company simply isn't making enough money to stay in business," Peck said. "If it asks for additional rate increases, it may lose customers and more money."

Peck said public ownership with private operation is a steadily increasing

trend. He broached his plan at a luncheon of the Spokane chamber of commerce's industrial development bureau.

Municipal ownership would free the bus system from state and Federal taxes and would remove the company from regulation by the state public service commission, he said.

The bus system could be sold to the city for "something over \$1,000,000," he said. Twenty-year revenue bonds would pay the acquisition cost and the bonds would be retired from bus company revenue through savings in taxes.



Progress of Regulation

Accounting Prescribed for Amortization under DPA Certificate

THE Michigan commission, on application of the Detroit Edison Company for instructions with respect to accounting for the Federal income tax results of allowances for emergency defense facilities, prescribed accounting entries. The company was ordered to set up special accounts to handle "Deferred Federal Income Taxes."

After completion of amortization under the necessity certificate, these special accounts will reflect amounts equal to the increase in Federal income taxes payable resulting from the fact that normal depreciation cannot be deducted because of previous amortization of the property.

The primary effect of the special rapid amortization of costs of defense facilities, said the commission, is to reduce the amount of Federal income taxes payable

during that amortization period and to increase the amount of Federal income taxes payable thereafter during any remaining lives of the properties so amortized. Current tax reductions resulting from special amortization are subject to liability for the larger future taxes also resulting from such early amortization and are not available for addition to surplus. The Defense Production Administration issues these certificates.

The actual effect, said the commission, is not to create a windfall but simply to defer Federal income taxes, since the aggregate income tax payments are the same, if the tax rate remains constant, whether the deduction is taken in sixty months or spread over a longer period. *Re Detroit Edison Co. D-1282-A, August 8, 1951.*



Contract between Power Companies Found to Violate Antitrust Laws

A CONTRACT between three companies engaged in the generation of electricity for wholesale violated the Sherman Antitrust Act and the common and statute law of Pennsylvania, according to a ruling of the United States District Court. Two of the companies were potential competitors, and the third company was a latent competitor. The contract invested the first two companies with absolute power to restrict each other in the use and enjoyment by the other of its rightful entitlement to the production of the third company. It also restricted the third company in its freedom of con-

tract and action generally in supplying electricity to outsiders.

The contract provided that additional machinery or equipment might be installed by one of the companies at the request of either of the other two companies at the expense of and for the use of the requesting party, but only with the consent of the other. Furthermore, no current from additions to the third company's plant might be supplied to anyone other than the first two without the consent of both of them. As an overall restraint, the contract prohibited the third company from entering into any

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other agreements with either receiving company without the approval of the other company.

The court deemed these stipulations to be strangulations. It said that they choke each of the recipients in its full exercise of its ownership in the power purchased by forbidding the sale of power from additions to outsiders. Plant additions by one company were effectually banned unless approved by both of the other two companies, including additions for the benefit, and at the cost, of only one of the contracting parties.

The court observed that since one of the companies could not contract in any manner as to the generation and supply of energy with either of the other two companies without the consent of the other, none of the companies could establish any other outlets than those originally fixed at the plant to draw off its purchase of power without the assent of the other. Neither company could by its sole direction release any part of its contract share to allow any portion to be sold and diverted elsewhere.

The agreement was also deemed invalid in that it caused one of the companies to contravene the statutes proscribing the surrender to another, with-

out the approval of the commission, of any of its powers, franchises, or privileges. The aim of the contract was to place the internal control of one of the companies in the hands of the other two companies. The board of directors of the controlled company was deposed from its place of guidance and responsibility. In fact, the court said, the contract destroyed the corporate virility of the company and subjugated it as a mandate of the other two companies, depriving the company of the discretion and initiative necessary to abide by its public obligations. This situation was deemed intolerable under the common law and the statutes of Pennsylvania.

The court observed that the pattern for its decision had been prescribed by the United States Court of Appeals in *Pennsylvania Water & Power Co. v. Consolidated Gas, E. L. & Power Co. of Baltimore* (1950) 184 F2d 552, 86 PUR NS 33. In that case the court had reversed and remanded an order of the United States District Court upholding the validity of a similar contract between two of the companies involved in the present case. *Pennsylvania Water & Power Co. et al. v. Consolidated Gas, E. L. & Power Co. et al.* 97 F Supp 952.

Rules Suspension to Permit Use of Answering Devices Denied

THE Indiana commission denied the request of an organization promoting the sale of telephone-answering devices known as telemagnets that the rules of a telephone company prohibiting the use of privately owned devices on its lines be suspended.

In an earlier proceeding the commission, at the request of one of its engineers, had ordered that twelve of these telemagnets be installed for test purposes on subscribers' lines. The tests indicated that the devices would "manipulate the telephone instrument" and that if the

device were not working properly, telephone service might be impaired. A grant of the request to suspend the company's rules would, in effect, divide the responsibility for service between the utility and the owners of the devices, who would not be under commission jurisdiction.

The commission, however, expressed the opinion that the telephone industry had been negligent in not developing and offering to the public a satisfactory answering device. *Re Mohawk Sales, Inc. No. 22203, August 2, 1951.*

Co-operative May Sell Electricity to Federal Agency

THE Arkansas commission authorized the construction and operation of

electric generating and transmission facilities by a co-operative corporation

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whose board of directors consisted of representatives of three distribution co-operatives. The latter had agreed to purchase their power requirements from the generating co-operative. Southwestern Power Administration, an agency of the United States Department of the Interior, had agreed to purchase the entire output of the power plant under a sale and exchange agreement. It would, in turn, sell back to the generating corporation the power requirements necessary to supply the distribution co-operatives.

Private electric utilities objected on the ground that the agreement between the Federal agency and the generating co-operative was invalid. They claimed that it was not the intent of the Arkansas legislature to permit this type of contract in adopting enabling legislation relating to co-operative corporations. The commission concluded, however, that the legislature did not intend to limit the method to be employed in accomplishing the basic objective of bringing electric service to the farms.

The claim that the agreement violated the Federal Flood Control Act was also rejected. The commission disagreed with the contention that it had authority to determine whether the agreement violated that act. Aside from this question, however, the commission believed that the contract was compatible with the statute. In passing upon the question of convenience and necessity for the proposed facilities, the commission weighed the benefits to accrue in relation to the harm that would result. It considered the benefits to present and prospective users of electric service, as well as the effect of the granting of a certificate upon existing electric utilities. The result upon the people at large was also considered.

The commission, having found a need for the facilities, concluded that it could not deny the farmers the privilege of building their own facilities to serve themselves, and by such denial be required to take power from private electric utilities. However, regarding the private utilities, the commission said:

These companies, however, are validly operating within the state of Arkansas, and this commission feels that every dollar of investment they have in this state should be zealously guarded and protected by this sovereign from dissipation or waste, and if we should find from this record that the building of the generating plant and transmission facilities would injure any of the intervening power companies to a greater degree than it helps Arkansas Electric and other beneficiaries of the petition, then the certificate should be denied.

Commission Chairman Scott Wood dissented on the ground that the agreement with the Federal agency was *ultra vires*, contrary to the will of both the Arkansas legislature and Congress. Furthermore, he concluded that public convenience and necessity did not require the proposed facilities. He believed that the service furnished by the existing electric companies to the three distribution co-operatives was adequate and efficient at lower rates than would be applied by the Federal agency. Present rates are lower than REA co-operatives enjoy in other parts of the nation. He pointed out that the co-operatives did not attack the present service or the ability of the electric utilities to supply adequate service. *Re Arkansas Electric Co-op. Corp. Docket No. U-511, August 10, 1951.*



Labor Union Not a Proper Party in Rate Proceeding

A LABOR union complaining against proposed water rates and not itself a customer of the company, but purporting to act in behalf of its consumer members, does not have sufficient interest in the subject matter to be a proper party

to the proceeding, said the Pennsylvania commission. But the company's contention that various parties named individually in the complaint, with one exception, were not consumers on the company records could not be accepted

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as true, it was held, since the commission's only concern is the sufficiency of the averments contained in the complaint.

The company further contended that the allegation in the complaint that the proposed rates were unwarranted, unreasonable, unjust, and discriminatory was a mere conclusion and factually unsupported and that such a complaint was insufficient. In the case of a formal complaint, said the commission, there should

be set forth with reasonable particularity the alleged violation of the utility law, but when the purpose of the proceeding is to determine only the reasonableness of rates a different standard applies than in the use of complaints generally, and such a complaint is sufficient if it acquaints the utility with the general nature of the proceeding. *International Association of Machinists v. Honesdale Consol. Water Co. Complaint Docket No. 15162, July 16, 1951.*



Opportunity Given to Render Adequate Service

AN existing public utility, upon a finding that its service is inadequate, is entitled to a reasonable opportunity to make its service adequate, said the Wisconsin commission; and if it fails to furnish such service, a finding may be made that the extension of service by another utility company into the affected area is required by the public convenience and necessity.

The commission granted a telephone company sixty days within which to render service to certain petitioners. Jurisdiction was retained so that if the company failed to render such service,

another company could be authorized to serve the territory.

The commission dismissed a claim by the petitioners that the owner of a nearby resort, who had a telephone line connected to a local exchange, might possibly be a public utility. The sole purpose of having the facilities installed was to make telephone service available at his resort, at no time had the owner held himself out to serve others, and he had no obligation to serve other parties by means of his line. *Federman et al. v. Mecan Teleph. Co. et al. 2-U-3413, July 20, 1951.*



Amortization of Acquisition Adjustment As Operating Expense

A TELEPHONE company's application for commission approval of new rates which it had made effective under bond was denied by the Kentucky commission. The commission directed the company to refund the excess collected.

The company, in presenting evidence to establish a rate base, offered proof of what it termed "current cost." The commission observed that this bore some relationship to the oft-used term "reproduction cost new" and included an appraisal of the present cost of the plant and an estimate of the per cent condition. Such an appraisal, the commission continued, is highly speculative and will not be accepted as the sole method to be considered in arriving at a rate base.

No working capital allowance was

made inasmuch as the company received at least part of its revenues in advance of rendering service and collected large sums from its subscribers for taxes payable to Federal and state governments at a later time.

The amount by which the company's plant acquisition adjustment was being amortized on an annual basis was considered a proper operating expense since plant acquisition adjustments were included in the company's net investment rate base.

A proper rate of return was found to be 6 per cent. Rates proposed by the company would have provided a higher return. The commission prescribed a rate in between that formerly charged and that made effective under bond. These

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rates placed the principal burden of the increase on the one exchange of the company which had been converted at con-

siderable expense to dial operation. *Re Kentucky Teleph. Corp. Case No. 2169, July 31, 1951.*



Company Agent Not Guilty of Trespass in Entering Premises to Remove Telephone

A FEDERAL district court decided in favor of a telephone company in a suit by a subscriber for willful trespass based upon the entry of a company employee into his apartment to remove an instrument. Admittedly, bills for service had been unpaid for some time, the subscriber had been notified of service suspension and the company's intent to remove the equipment, and the subscriber had not communicated with the company and offered to pay.

Rules and regulations on file with the South Carolina commission provided that equipment on a customer's premises would remain the property of the telephone company and that company employees and agents might enter the premises at any reasonable hour to remove an instrument upon termination of cancellation of service. The rules also provided for discontinuance for nonpayment.

The right of the company to enter the subscriber's premises and remove its property, said the court, is a license coupled with an interest which cannot be revoked by the subscriber. Reference was made to the analogous situation where a

mortgagee under a chattel mortgage is given the right to seize mortgaged property.

The company employee had obtained entry, when the subscriber was not at home, through the assistance of an employee of a housing development in which the apartment was located. The court decided:

When the service had been suspended for the failure of the telephone subscriber to pay for past service, I am of the opinion that the telephone company had the right, under the aforesaid rules and regulations, to enter upon the subscriber's premises and remove the telephone instrument and other equipment so long as the removal was openly accomplished and without force or violence, or any threat thereof, and when the circumstances were such as to create no apprehension of any violence on the part of the subscriber, or other person from whom the possession is being taken.

Plate v. Southern Bell Teleph. & Teleg. Co.—F Supp., July 12, 1951.



Telephone Service to Race News Service Violates Antibookie Act

THE supreme court of Florida reversed a ruling of the Florida commission and held that a telephone company violated the state "Antibookie Law" when it furnished telephone service to a shack near a race track, enabling employees of a race-track wire service to telephone gambling information through exchange or toll boards of the telephone company. The wire service was principally engaged in furnishing bookmakers with racing information. The statute made it unlawful for public utili-

ties to furnish private wire service for the dissemination of information for gambling purposes.

It was found that two men were using a lookout turret in the shack opposite the race track to obtain racing information from a "tote board" inside the race track. This information was transmitted by long-distance calls connected through the regular telephone exchange. The men admitted that they were employed by a race-track wire service serving bookmakers.

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The case had come before the commission on complaint of the state attorney general. The commission had dismissed the complaint against the telephone company on the ground that the telephone facilities in question were not "private wires" within the purview of the statute. Regular exchange and toll circuits differ from private wires in that the latter type facilities involve direct wires between two or more designated locations or parties. The communication between them is not dependent on the assistance of some intervening agency or operator such as the exchange operator or toll operator.

Private wires do not afford communication between the subscriber and all other subscribers of an exchange, nor do they afford regular toll service between the subscriber and all others who are available for long-distance or toll messages.

The court ruled that it must give all of the provisions of the statute a liberal construction for the accomplishment of its purpose, which was to prevent the use of private wire service in the dissemination of information for gambling purposes. The construction placed on the act by the commission was held to contra-

vene the expressed intention of the legislature. The court said that the evil to which the several provisions of the act was directed was to prevent and make unlawful the use of the wires of the public utilities of Florida in the dissemination of gambling information, whether or not the wires complained of were private wires, leased lines, special contract leased wires, or a private system.

Furthermore, the court pointed out, the act specifically referred to private wire service and other similar service for the dissemination of gambling information. The statutory definition of private wire service excluded the usual and customary telephone service. The court held that the service used by the subscriber was not the usual and customary type of telephone service.

The contention that the commission was without jurisdiction to hear the attorney general's complaint against the telephone company was rejected. The court held that the statute specifically provided that for the purpose of enforcing the provisions of this act, the commission should have all the powers granted to it under the laws of the state of Florida. *Ervin v. Peninsular Teleph. Co.* 53 S2d 647.



Other Important Rulings

THE Virginia Supreme Court of Appeals upheld a commission rule requiring persons requesting the extension of water service to deposit the difference between the cost of construction and 4½ times the estimated annual revenue, with a provision for refunds as additional bona fide customers are secured, because of the fact that isolated property owners could demand the laying of pipes with no guaranty that prospective users would be available, which would seriously impair the company's finances. *Commonwealth ex rel. Green et al. v. Alexandria Water Co.* 65 SE2d 521.

The Wisconsin commission held that a municipal water plant may not extend service to an area formerly located in a

neighboring town and being served by that town as a municipal water plant, notwithstanding the annexation of that area by the city, unless it obtains commission authority to do so. *Lake v. Milwaukee*, 2-U-3436, July 24, 1951.

The United States District Court, in affirming an order of the Interstate Commerce Commission authorizing a motor carrier to enlarge its service, observed that its function was not to weigh the evidence or to indicate what its view of the evidence would be or what its decision would be as to the desirability of the increased service, but to see that the requirements of the law were observed in the proceedings before the commission and that its conclusion as to the service

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need had a rational basis in the facts found. *Capital Transit Co. v. United States et al.* 97 F Supp 614.

The United States Court of Appeals held that an injunction forbidding a motor carrier to transport goods over specified routes in violation of its certificate may not be the basis for a contempt proceeding for transporting goods other than household goods in violation of its certificate where the injunction does not suggest that there is any commodity violation, the carrier is authorized to transport household goods between the points involved, and an injunction with broad general terms must be limited to the particular type of violation which brought it into being. *House (Russell C.) Transfer & Storage Co., Inc. v. United States*, 189 F2d 349.

The New Jersey Board of Public Utility Commissioners, in approving the establishment of three railroad crossings,

ordered the municipality requesting the establishment of the crossings to pay the cost of their construction and continued maintenance, the cost of installation and maintenance of cross-buck warning signs, and the cost of watchman protection service at each of the crossings. *Re Jersey City*, Docket No. 5610, August 1, 1951.

The Indiana commission, in determining whether it should authorize the substitution of a prepaid for an agency station, said that it would not consider the entire system freight expense allocable to the agency in question, but would consider the direct expenses and revenues of that station, the condition of roads and telephone service to the proposed near-by governing station, the number of carload shippers, the increase or decrease of business at this station over the past three years, and whether public convenience and necessity existed for the further operation of the agency. *Re Baltimore & O. R. Co. No. 22774*, August 9, 1951.

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Public Utilities Reports (New Series) are published in five bound volumes a year, with the P.U.R. Annual (Index). These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are \$7.50 each; the Annual (Index) \$6.00. *Public Utilities Reports* also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."

PUBLIC UTILITIES REPORTS

CALIFORNIA PUBLIC UTILITIES COMMISSION

Re Associated Telephone Company, Limited

Decision No. 45889, Application No. 31712
June 29, 1951

APPPLICATION by telephone company for authority to increase rates; higher rates authorized.

Return, § 111 — Telephones — Reasonableness.

1. Rates which would produce a return of 6.1 per cent on a telephone company's investment in plant and equipment were considered justified and as yielding a return which was fair and reasonable, p. 8.

Rates, § 146 — Increased taxes and wages.

2. Tax and wage increases imposed or permitted with the approval of the Federal government must be reflected in a rate increase awarded a telephone company if the company is to continue to receive a fair rate of return, p. 10.

Rates, § 539 — Telephones — Message or flat rate — Hotels.

3. A telephone company's proposal to change hotel and apartment house private branch exchange service from a flat to a message-rate basis was approved, since it would more equitably assess the cost of providing service to the small and large user, p. 12.

Rates, § 539 — Message rate — Extended business telephone service — Private branch exchange.

4. The extended business and private branch exchange trunk service of a telephone company should be furnished on a message-rate basis, p. 13.

Return, § 81 — Telephones — Equalization between exchanges.

5. Although it is not essential to equalize return in each and every telephone exchange, the return should be equalized as between extended area exchanges as a group and the outside exchanges as a group, p. 13.

Service, § 454 — Four-party business telephone — Extended area.

6. The proposal of a telephone company which was in the process of establishing extended area service, to provide 4-party business extended service only to those subscribers having 4-party local service at the time of the

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conversion of an exchange to full extended service and thereafter only until facilities should be available for a higher grade of business service, was considered reasonable in that it would tend to provide a more satisfactory service, p. 13.

Construction and equipment, § 1 — Curtailment — Anti-inflation measure.

Statement that a program of curtailing construction of new telephone plant as an anti-inflation measure would not meet with public approval in a state which is experiencing rapid growth and expansion, p. 4.

By the COMMISSION: Associated Telephone Company, Ltd., a California corporation, applicant in this proceeding, by the above-entitled application, filed August 30, 1950, asked authority to increase its telephone rates and charges by an annual amount of \$3,241,200. On February 1, 1951, applicant filed its first amended application requesting that this amount be increased to \$5,757,600 by reason of changed conditions. The original application was based upon conditions as they existed prior to June 25, 1950, the date of the incidence of the Korean war, which did not reflect increased Federal tax rates, increased toll revenues, government restrictions on use of copper, and increases in the rate of turnover among applicant's employees. At the public hearing on April 5, 1951, applicant introduced in evidence Exhibit No. 46, which lowered the requested increase to \$5,545,000 after giving effect to an increase in toll revenue estimate of \$63,200 and an increase of \$192,700 in miscellaneous revenue, due to a revision in the directory advertising revenue estimate.

Ten days of public hearings were held upon the first amended application before Commissioner Huls and examiner Edwards during February, March, April, and May, 1951. All hearings were held in Los Angeles, except for one day, March 2, 1951, when

the hearing was held in Santa Barbara. Representatives from 22 cities participated in the hearings, as well as representatives from the California Farm Bureau Federation, Ventura County Farm Bureau, the counties of Santa Barbara and Ventura, certain clubs, chambers of commerce, and the staff of this Commission. The proceeding was taken under submission after oral argument on May 9, 1951.

This rate increase proceeding is not the first for this company since the beginning of the postwar inflation in wages and prices. On October 18, 1949, by Decision No. 43423 in Application No. 30339, 82 PUR NS 25, the Commission granted this utility an interim increase in the amount of \$1,100,000 per annum. On May 2, 1950, by Decision No. 44135 under the same application number, 84 PUR NS 108, an additional increase of \$2,200,000 in gross revenue was granted. It was estimated that the utility would earn 5.9 per cent on a rate base of \$70,035,000 for a full year at the 1950 level of business. Applicant claims that in 1950 it earned only 4.45 per cent and did not realize the return the Commission had estimated for the full year because the new rates were effective for only seven months of 1950 and because of an intervening wage increase of \$195,600 annually. The comparable rate of return computed by the Com-

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mission's staff for the actual year 1950 was 4.97 per cent. Applicant now claims that its rate of return is again declining and that for the full year of 1951 it will fall to approximately 3.16 per cent.

The Associated Telephone Company, Ltd., is engaged in the business of furnishing public utility telephone service to approximately 423,000 telephone stations in 34 exchanges located in the counties of Los Angeles, Orange, San Bernardino, Santa Barbara, Ventura, Tulare, Kern, and Fresno. All but three of the company's exchanges have been converted to dial operation. The area in which applicant renders telephone service has witnessed a phenomenal postwar growth in population. The number of stations served by this utility has grown from 215,939 as of December 31, 1946, to 422,834 as of December 31, 1950. Accompanying this sharp increase in the number of stations has been an even sharper increase in the amount of plant in service from \$33,093,340 to \$90,307,805. The demand for new service continues unabated as indicated by the fact that as of January 20, 1951, applicant's held orders were 21,971 in number. New home construction in its service area has continued to grow despite defense restrictions on certain types of new buildings.

Company's Position

Because of the fact that it has been necessary for applicant rapidly to increase its plant at high unit costs for labor and material compared to prewar prices, applicant claims it will not be possible to earn a sufficient rate of return at present rate levels to enable it to sell securities at adequate prices for financing plant expansion. Further-

more, it claims operating expenses have increased out of proportion to revenue as a result of both increased unit labor and unit material costs, as well as from an increase in the Federal income tax rate from 38 per cent to 47 per cent.

Applicant's Exhibit I, page 2, attached to the amended application, shows that average plant investment per station has risen from \$156.33 in 1946 to \$198.35 in 1950. For 1951, applicant contemplates expenditures for gross construction in the amount of \$25,914,100, which will bring the average investment in 1951 to an approximate figure of \$228 per station. Average total operating expenses, including depreciation and taxes, per station have risen from \$44.26 in 1946 to \$45.83 in 1950, and to an estimated total of \$48.82 in 1951. The average total operating revenues per station have increased from \$51.39 in 1946 to \$53.25 in 1950, and for 1951 are estimated at \$55.11 at present rate levels.

Applicant requests that its telephone service rates be raised to a point that will result in a rate of return of 6.5 per cent on its rate base at the 1951 level of business. Its proposed increase of \$5,545,000, largely proposed to be assigned to the local service classification, represents a rate increase of 31.3 per cent on the average, being equivalent to an approximate increase of \$13 per year per average station. The amount of increase in rates, as proposed by applicant, is not uniform for classes and grades of service by exchanges. Applicant suggests that the exchanges be classified into five groups for local service and two groups for extended service based on stations accessible to subscribers in an exchange, as shown on the following table:

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APPLICANT'S PROPOSED BASIC RATES

Group	Accessible Stations	Business Service			Residence Service		
		Indiv. Line	2-Party Line	4-Party Line	Indiv. Line	2-Party Line	4-Party Line
		Local Service					
1	0- 500	\$6.75	\$4.25	\$4.00	\$6.00	\$4.00	\$3.75
2	501- 4,000	7.00	4.50	4.25	6.00	4.25	3.75
3	4,001- 10,000	7.25	4.75	4.50	6.00	4.50	3.75
4	10,001- 25,000	7.50	5.00	4.75	6.00	4.75	3.75
5	25,001- 50,000	7.75	5.50	—	6.00	5.00	3.75
		Extended Service					
A	0-150,000	8.50	6.25	6.00	6.50	5.35	4.00
B	Over 150,000	10.50	7.50	7.25	6.50	5.35	4.00

Applicant's proposed rates are fully set forth in Exhibit E of the application and, in addition to the above schedules, contain proposals on 10-party line, suburban, and message unit services.

Subscriber Representation

Subscriber representatives were present at each of the hearings and several presented testimony relative to various phases of the case presented by the applicant. Testimony or statements were presented by the following prominent public officials: State Senator Cunningham of San Bernardino county, supervisor Marion A. Smith of Santa Barbara county, Mayor Fletcher Bowron of the city of Los Angeles, and Mayor Norris Montgomery of the city of Santa Barbara. Some of the more important points stressed by certain of these officials were: The expense of operating low return producing exchanges, such as the Oxnard exchange, should not be a burden on the old established exchanges in the Los Angeles extended area; the company should not be permitted to install high-cost buildings during the present period of high labor and material prices; steps should be taken by the company to stop the general nation-wide inflation in prices and wages; applicant's proposed rates would result in removal of telephones;

telephone service and rates should be comparable with those applicable to other similar areas in the state.

The applicant's position relative to these matters was: The return in exchanges fluctuates annually and it cannot be said fairly that any one exchange is carrying the others, and particularly in Oxnard where its proposed rates will justify the capital involved; buildings are not built for show or to have excess spare room but rather, adequately to house the necessary telephone equipment; the dial switching equipment is tremendously more expensive than the buildings and undue risks would be taken where fire hazard is high and humidity, which might adversely affect service, cannot be controlled.

The utility is the victim of inflation as is the public and business generally. Applicant's prices must be kept current if it is to furnish the type of service the public is demanding. The only contribution that the company stated it could make to halt the inflation spiral would be to stop construction of all telephone plant and not provide new service to people demanding it.

We are of the opinion that such a program of curtailing construction of new telephone plant, as an anti-inflation measure, would not meet with

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public approval in a state that is expanding and growing as rapidly as is the state of California.

In addition to the testimony of the public officials, testimony was presented by representatives of other organizations and cities. The Commission also received a number of letters protesting the proposed increase in rates. These letters were summarized and classified as to their contents under several general headings by a Commission staff engineer and presented as part of a service investigating report, Exhibit No. 57. So many subjects were covered by such letters and by subscriber representatives that it is not practicable to list herein the detailed consideration given to each subject other than in a general way. The representative of the California Farm Bureau Federation testified that service in the rural area has been improving rapidly and that the farmer is willing to pay the rates which the Commission finds are proper. However, he did point out that the rate for business suburban service is too low compared to residence service based on the relative usage. Suburban business places are generally located along a highway where the public uses the telephones day and night. Such suburban lines normally are planned to serve ten stations and the residents who are on the line with a business station can seldom use the telephone because the line is in use.

After a review of the letters received by the Commission, the utility was requested to investigate and follow up any complaints regarding service, where the subscribers had given sufficient specific facts to indicate the

source of the trouble. The company observed generally that most of the letters indicated dissatisfaction because of overloaded central office equipment. This condition in large part now has been corrected. Another common source of complaint is the provision of party-line service to persons who have requested individual-line service. Solution of this problem depends upon the utility's ability to raise capital and install additional new plant. Certain subscribers had individual difficulties which the utility was requested to correct. Other letters advanced carefully prepared suggestions which the Commission will attempt to carry out in so far as is practicable.

The testimony of several subscriber representatives contained suggestions relative to the improvement of service conditions. Such testimony will be weighed with all the evidence presented in this case, and in so far as consistent with the economics governing the rendition of telephone service, such suggestions will be adopted.

Evidence on Earnings

Both the applicant and the Commission's staff presented estimates of the earnings of the Associated Telephone Company for the year 1951. Both estimates, which are summarized in the succeeding table, show what would result if the present rates were to be effective for the full year, and what would result if the proposed rates were effective for the part of the year as indicated. [See table on page 6.]

In addition to the above figures, each exhibit contained a hypothetical earnings figure for the year of 1951, assuming applicant's proposed rates in effect for the full year. On such basis, the company's exhibit showed a return

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ESTIMATED EARNINGS IN 1951

Item	Company Exhibit No. 46		Staff Exhibit No. 50	
	Present Rates Full Year	Pres. Rates First 4 Mos. Pro. Rates Last 8 Mos.	Present Rates Full Year	Pres. Rates First 6 Mos. Pro. Rates Last 6 Mos.
Operating Revenues	\$24,265,400	\$27,979,800	\$24,642,000	\$27,454,000
Operating Expenses	13,074,700	13,074,700	13,069,500	13,026,500
Depreciation	3,892,200	3,892,200	3,850,000	3,850,000
Taxes	4,431,300	6,281,100	4,473,900	5,895,400
Total Expenses	21,398,200	23,248,000	21,393,400	22,771,900
Net Revenue	2,867,200	4,731,800	3,248,600	4,682,100
Rate Base (depreciated)	86,615,564	86,615,564	82,148,000	82,148,000
Rate of Return	3.31%	5.46%	3.95%	5.70%

of 6.50 per cent while the staff's exhibit showed 7.36 per cent. Neither will be realized due to the fact that the rate increases herein allowed will not be in effect for the full year.

The principal difference between the two estimates is in the amount of the rate base. The staff's estimate of revenue for the full year at present rates is approximately 2 per cent greater than the company's, the expenses less by .02 per cent and the rate base approximately 5 per cent smaller. On the basis of part of the year at present rates and part at proposed rates, the staff's estimates of revenue and expenses are approximately 2 per cent less than the company's, being accounted for by the fact that the company's estimates reflected two additional months at proposed rate levels than did the staff's.

The company took no particular exception to the staff's estimates of revenues and expenses but did develop on cross-examination the fact that the salary increase of \$200,000 conditionally granted to salaried employees of the company effective May 1, 1951, would lower the rate of return by about 0.1 per cent below that shown in the staff's exhibits. The company conditioned this salary increase on authori-

zation to be obtained from the National Wage Stabilization Board. Another factor pointed out by the company that might also adversely affect the earnings would be a possible future increase in wages. The union, which is the bargaining agent for the company's wage-earning employees, served the company with sixty days' written notice on May 1, 1951, of its desire to amend the contract currently in force. Such possible amendment is not reflected herein. For the purposes of this decision, the staff's estimates of revenues and expenses will be adopted, after adjustment for the expense effect of the \$200,000 salary increase.

Applicant claims that its salary levels prior to increase, effective May 1, 1951, were below the salary levels paid by other public utilities in southern California. On the other hand, it claims that wages are at a proper level since the wage earners are, and for several years past have been, compensated on the same general level as similar employees elsewhere in the telephone business in southern California. A company representative testified that in these times of rapid growth in business and plant and of increasing man-power problems, its success in

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maintaining efficient and economical operations is in a larger degree than ever dependent upon the enthusiastic loyalty of salaried people.

Depreciation

The depreciation expense allowance by the staff was within one per cent of the company's estimate. The reason for the close agreement was that the company used the rates based on the lives recommended by the staff in the prior rate proceedings under Application No. 30339, 82 PUR NS 25. The straight-line method of computing depreciation was used and in the future applicant will accrue depreciation based on the remaining life method. In the final Decision No. 44135 in Application No. 30339, dated May 2, 1950, 84 PUR NS 108, the Commission suggested that the applicant take immediate steps to compile mortality statistics for the purpose of deriving proper depreciation lives and salvage factors on its telephone plant. As a result thereof, applicant's president reported, on March 8, 1951, that the company has established a valuation division which is now engaged in compiling mortality statistics for the express purpose of computing charges for depreciation expense and determining the adequacy of its depreciation reserve. In future years the company plans to spread the balance of the undepreciated cost of the plant less estimated net salvage over the remaining life of the plant. Furthermore, no adjustment in the amount of the present reserve will be sought. Applicant's studies are not sufficiently advanced to determine depreciation allowances at this time on a remaining life basis.

Taxes

Of the total taxes in the amount of \$3,610,847 recorded in 1950, the city and county taxes amounted to 52.5 per cent. State taxes, 9.2 per cent, and Federal taxes, 38.3 per cent. In addition to these taxes, the company collected and paid to the Federal government \$5,556,233 collected from its subscribers, representing Federal excise taxes levied on exchange and toll service. Thus the total taxes payable to all taxing authorities amounted to \$1.89 per average station per month during 1950.

The 1951 estimates of taxes are substantially above the \$3,610,847 figure and would be higher still under the assumption that the proposed increased rates were to be effective only for part of the year. The reason for the marked increase is due to the effect of the current Federal income tax rate on larger net revenue. In 1950, on large utility corporations, an average Federal income tax rate of 42 per cent was effective which for 1951 was raised to 47 per cent.

Rate Base

Both the company and Commission staff witnesses introduced exhibits covering rate bases for various periods. The differences in the rate bases for the estimated year 1951 are due, in general, to the following items:

(a) Estimates of plant additions for the year are in the main spread by the company uniformly throughout the year whereas the staff used two months' actual and estimated completion dates for the balance of the year in the weighting given capital additions.

(b) The staff figures reflect interest on land during the construction peri-

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od, while the company's procedure was to include in the base capital the entire investment in property held for future use. The staff also computed the effect of the inclusion of interest on land held for future use for a reasonable time during the preconstruction period, which resulted in a reduction of \$69,000 in the weighted average rate base. The inclusion of interest on land is consistent with the established practice of charging overhead costs to plant charges during the construction period. Prior to the structural capital expenditures, acquisition of the associated land is required and necessitates capital investment which includes interest on the funds required prior to date of operation. This interest item should be capitalized as an asset on the books of the company and included in determining costs for rate-making purposes.

(c) The allowances for noninterest-bearing construction work in progress differed materially due to differences in methods of approach. The applicant, in preparing its figures for the year 1950 "Recorded," based the interest-bearing portion on an estimate of the monthly charges of interest during construction and deducted this from the total construction work in progress to give the noninterest-bearing portion. This was used as a base for their estimates for 1951. The staff based its estimate for the year 1951 upon a study of the actual noninterest-bearing construction work in progress experienced in 1950. In addition, the company's interest during construction was calculated at a 6 per cent rate as against a 5 per cent rate adopted by the staff.

(d) The record shows the justifica-

tion for the inclusion of approximately \$420,000 reflecting routine project expenditures for the year 1951, which did not appear specifically in the staff's estimate. [See table on page 9.]

The staff's method of handling the above items, with the addition and deduction noted, will be accepted for the purpose of this decision and an allowance will be made for routine projects. For the purpose of this proceeding for the estimated year 1951 an average weighted depreciated rate base of \$82,500,000 is adopted.

Return

[1] Applicant's request for increased rates is predicated, among other things, on a requested return of approximately 6.5 per cent on an average rate base for the year 1951 of \$86,615,564. Counsel for the city of Los Angeles urged a rate of return of 5.25 per cent using a smaller rate base, while a witness testifying on behalf of a group of cities which are served by applicant, stated that in his opinion the rate should not exceed 5.5 per cent.

The record contains testimony and exhibits setting forth applicant's financial experience, its method of financing its properties and its earnings and dividends, as well as information including trends of interest rates, yields on outstanding securities of other utility and industrial companies, earnings on invested capital, and the trends of such earnings of certain selected utility companies, comparative risk data so far as the telephone industry and the electric industry are concerned, and estimated financial requirements to service applicant's outstanding and proposed issues of stock and bonds. A witness called on behalf

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COMPARISON OF RATE BASES

1951 Estimated *

	Company Exhibit H	Staff Exhibit No. 57	Company over Staff
<i>Plant</i>			
Telephone Plant	\$99,331,000	\$98,167,000	\$1,164,000
Noninterest-bearing CWIP	3,731,000	585,000	3,146,000
Property Held for Future Use	51,000	70,000	(19,000)
Total Weighted Average Plant	103,113,000	98,822,000	4,291,000
<i>Adjustments</i>			
Contributions of Tel. Plant	(893,000)	(897,000)	4,000
Intangibles		(49,000)	49,000
Recomputation of Int. at 5% on CWIP and Land	—	(19,000)	19,000
Total Weighted Avg. Adjustments	(893,000)	(965,000)	72,000
<i>Working Capital</i>			
Material and Supplies	3,304,000	3,278,000	26,000
Working Cash	750,000	750,000	0
Total Working Capital	4,054,000	4,028,000	26,000
Total Weighted Average Rate Base	106,274,000	101,885,000	4,389,000
Deduction for Depreciation	19,658,000	19,737,000	(79,000)
Weighted Avg. Deprec. Rate Base	86,616,000	82,148,000	4,468,000
Allowance for Routine Projects—Add		420,000	
Effect of Interest on Lands—Deduct		69,000	
Adjusted Rate Base		82,499,000	

(Red Figure)

* Figures rounded to nearest \$1,000.

of applicant testified that in his opinion net income of \$5,992,241 would be required to provide the coverage of interest and dividends necessary to insure additional sales of preferred stock, to produce earnings of \$2.90 a share on the common stock and, generally, to maintain applicant's credit. A witness for the city of Los Angeles estimated that the company would require net earnings of \$4,985,567 in order to service the outstanding securities and those proposed to be issued, including in his calculation, however, an assumed dividend rate of 6.5 per cent on the common stock. A third witness presented financial statements and data

pertaining to the cost of money and, using an assumed capital structure including debt at 55 per cent, concluded that a return of 5.5 per cent would enable applicant to pay an 8 per cent dividend and to carry additional sums to surplus.

It has been applicant's practice, in financing the cost of its properties, to issue and sell bonds and preferred stock to the public and to issue and sell its shares of common stock, at par, to General Telephone Corporation. At present, its capital structure consists of 54 per cent bonds, 22 per cent preferred stock, and 24 per cent equity capital. Applicant is of the opinion

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that it should reduce its debt ratio and it plans to issue, during 1951, \$7,000,000 of common stock, \$7,000,000 of preferred stock, and \$8,000,000 of bonds to assist it in meeting its capital requirements. In May, 1951, it filed with the Commission applications to issue common and preferred stock in the amounts indicated, leaving the proposed issue of bonds for the latter part of the year. These issues were authorized on June 19, 1951, by Decision No. 45846 in Applications Nos. 32412 and 32439. Applicant's program, if fully consummated, would result in ratios to total capital of approximately 50 per cent for bonds, 24 per cent for preferred stock, and 26 per cent for common stock.

[2] It is evident that applicant will continue to be faced with substantial new capital expenditures into 1952.¹ These plant additions made under today's inflated costs of labor and material, require increased revenues to provide a fair return. Furthermore, the tax and wage increases, imposed or permitted with the approval of the Federal government, must be reflected in rate increases if the utility is to receive a fair rate of return.

In considering the record in this proceeding, it clearly appears that applicant will have need for additional revenues if, under current wage and tax levels, it is to enjoy a fair return on its investment and is to proceed with the financing of required extensions and additions to its properties. We are of the opinion that recognition should be given to the declining rate of return attendant upon the in-

crease in the investment in plant, and, after a full review of the matter we conclude that applicant's operating revenues should be increased by the amount of \$4,750,000 on an annual basis, which, under present wage and tax rates, in our opinion, will produce a return of 6.1 per cent during the next 12-month period, based on the projection of the average year 1951 estimated results of operation. Tested against applicant's outstanding securities and those proposed to be issued during 1951, it appears that such a return should produce net operating revenues sufficient to attract the necessary capital and to enable applicant to proceed with its construction program.

In our opinion, based upon the record in this matter, the rates herein authorized are justified and the return to applicant on its investment is fair and reasonable.

Authorized Rates

In spreading the increases in rates, we have attempted to maintain a balance as between districts and exchanges taking into account their sizes and any peculiar conditions of the territory that might affect the cost of providing service. Rate levels and differentials as between grades of service on other systems serving somewhat comparable areas also have been considered. The contentions of the subscribers and their representatives are also reflected in the rate levels in so far as consistent with the economic problems involved.

One guide that has been used to some extent is the return by exchanges shown by Exhibit No. 17. This exhibit was introduced by the applicant at the request of the staff and sets forth the results of operation for the year

¹ Applicant estimates it will be required to spend approximately \$26,000,000 in 1951 to meet capital requirements.

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ended December 31, 1950. The applicant claimed that the information contained in Exhibit No. 17 is incompetent and immaterial to the issues in this proceeding. However, it is evident that an indication of the relative earning positions of the exchanges by geographical areas can be obtained from the exhibit, and the rates have been fixed in accordance with the principle that the charges for telephone service in one area will not place an undue burden on the balance of the company's customers.

Within the Los Angeles extended area, the rates of return indicated by Exhibit No. 17 in the Long Beach and West Los Angeles exchanges were slightly above average and justify

rates generally below the company's proposal. In the Santa Monica exchange and the remainder of the extended area exchanges, the returns were below average but not sufficient in our opinion to warrant rate differentials after reflecting increases in the other items that make up cost of service. Under the circumstances, the reasonable solution at this time is to provide a uniform schedule of rates for extended service.

A comparison of the present rates for the two basic grades of extended service, namely: 4-party residence service and one-party business service, with the rates proposed by applicant and those authorized in the order herein, follows:

Extended Service—Monthly Flat Rate—Handset Station

Exchange	Four-Party Res. Service			One-Party Bus. Service		
	Present	Proposed	Auth.	Present	Proposed	Auth.
Long Beach	\$2.60	\$4.00	\$3.75	\$9.25	\$10.50	\$10.50
Santa Monica	2.75	4.00	3.75	9.25	10.50	10.50
W. Los Angeles	2.75	4.00	3.75	9.25	10.50	10.50
Downey-Torrey	2.60	4.00	3.75	9.25	10.50	10.50
Redondo	2.75	4.00	3.75	7.50	8.50	10.50
Covina	2.75	4.00	3.75	7.50	8.50	10.50
Whittier	2.75	4.00	3.75	7.50	8.50	10.50
Malibu	2.60	4.00	3.75	7.50	8.50	10.50

The authorized business rates are being placed at the level proposed by applicant or higher, in order to maintain a proper balance as between classes and grades of service.

In this order, we are authorizing the discontinuance of local service on a programmed basis in all exchanges within the Los Angeles extended area, except in the Long Beach exchange. Such discontinuance will result in additional available plant capacity through more efficient utilization of applicant's plant and equipment. Furthermore, improvement in service and

a substantial simplification in tariff schedules will result.

The provision of extended service to all subscribers in the Los Angeles extended area exchanges, except Long Beach, while resulting in some redistribution of charges, will offset in varying amounts, depending on usage, the increased exchange rates for local customers through the elimination and reduction in toll charges. The effect on subscribers' charges resulting from the provision of extended service to present local customers is estimated as a net reduction of \$434,000 on an

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annual basis as compared to the total charges if local service were to be continued on the present basis.

Counsel for the city of Long Beach took exception to the proposal of the company to make extended service effective for all subscribers in Long Beach. His position was that in Long Beach only some 35 per cent of the stations are now on an extended service basis, that Long Beach is a large self-contained city with only 3.9 per cent of its calls being toll calls, that despite the large number of stations available the calling rate per station is not as high as in the smaller communities where only a few thousand stations are available, and that the geographical and economic conditions do not cause any great demand on the part of the citizens of Long Beach for extended service.

We agree with counsel's position on this subject to the extent that the proposed discontinuance of existing local service in the Long Beach exchange will not be authorized at this time.

In connection with the change from local to extended service, there will be a certain period of time during which it will be necessary to maintain local service rates in the Santa Monica, West Los Angeles, Covina Downey, Malibu, Redondo, and Whittier exchanges. In the Santa Monica and West Los Angeles exchanges, applicant stated that the change will be made within thirty days after the effective date of this order. In view of the short interval of time until full extended service will be made effective, the present level of local service rates will be continued during that interval. For the remainder of the exchanges, which the company plans to convert

within ten months, the local rates will be increased to the levels authorized for the Long Beach exchange.

[3] The company has as an objective of its long-term plan in the Los Angeles extended area exchanges the provision of all business service on a message rate basis. The provision of facilities for business individual line and private branch exchange message rate service should be programmed for installation at the earliest feasible date in order to accomplish a more equitable distribution of charges in accordance with usage. The possible discontinuance of flat rate business service will be given consideration when facilities are available to provide message rate service.

A witness for the Cordingly-Sherman Apartment-Hotel protested the proposal to substitute hotel message rate private branch exchange service at 5 cents per message for flat rate service. He claimed that in making leases with tenants he had assured them that they would receive flat rate service. He testified that the situation was serious enough that the apartment-hotel may be put out of business by it. The company's answer to this complaint was that the minimum charge for the trunk lines serving the hotel is some \$200 per month less under the message rate basis than under a flat rate basis, and that the company never gave any assurance that the rates would not have to be changed in the future.

In our opinion, the proposal by the company to change hotel and apartment house private branch exchange service in West Los Angeles exchange from a flat to a message rate basis is sound. Under present-day fluctuating

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economic conditions, neither a utility nor this Commission can guarantee that rate levels and classifications can remain fixed for any extended period of time. In our opinion, the message rate basis of charging for telephone service is a more equitable way of properly assessing the cost of providing service to the small and large user.

[4] The applicant has requested authorization to withdraw the offering of local foreign exchange service and substitute extended rates for the local rates now filed, where the serving exchange is in the Los Angeles extended area. We believe that foreign exchange service, where the serving exchange is in the Los Angeles extended area, should be furnished on an individual-line extended service basis. Accordingly, the local foreign exchange schedules will be authorized to be closed to new customers and the company will be required to file individual-line extended business, residence, or private branch exchange trunk service rates over routes where local service is now furnished. In connection with extended business and private branch exchange trunk service, we are of the opinion that such service should be furnished on a message-rate basis and the order will so provide. Applicant has also requested increases in certain foreign exchange mileage rates and the increase requested will be authorized.

Inasmuch as the Commission is authorizing increases in rates for the applicant, it follows that affected foreign exchange rates filed by connecting companies should be consistent. Therefore, such connecting companies should request authority of this Commission to make the necessary tariff filings to reflect the increases authorized in the

serving exchange by the order herein.

[5] While it is not essential to equalize the return in each and every exchange, we have equalized as between the extended area exchanges as a group and the outside exchanges as a group. One practical limit that has been applied in this leveling process is that no existing rates will be increased more than 75 per cent, except where the type of service offered is being changed. Furthermore, consideration has been given to the relative earning position of exchanges and groups of exchanges outside of the Los Angeles extended area, in establishing the rate levels in those exchanges.

A comparison of the present rates for the two basic forms of local service, namely, 4-party residence service and one-party business service, with the rates proposed by applicant and those authorized by the order herein, follows: [See table on page 14.]

[6] A witness for the applicant testified that it is the company's plan eventually to offer, within the base rate areas, only individual and 2-party-line business service and that 4-party-line business service on the average is not a satisfactory grade of service for a business enterprise. In exchanges within the Los Angeles extended area, applicant has requested that 4-party business extended service be provided only to those subscribers having 4-party local service at the time of the conversion of an exchange to full extended service, and thereafter only until facilities are available to provide a higher grade of business service. We think this request is reasonable and that the granting thereof will tend to provide a more satisfactory service to customers. Similar treatment also will

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Local Service—Monthly Flat Rate—Handset Station

Exchange	Four-party Residential			One-party Business		
	Present	Proposed	Auth.	Present	Proposed	Auth.
Long Beach	\$2.25	\$ None	\$3.50	\$7.50	\$ None	\$8.50
San Bernardino	2.25	3.75	3.25	6.75	7.75	7.00
Pomona	2.00	3.75	3.25	6.25	7.50	7.00
Ontario	2.00	3.75	3.00	6.00	7.50	6.50
Laguna Beach	2.00	3.75	3.00	5.75	7.25	6.50
Huntington Beach	2.00	3.75	2.75	5.25	7.00	6.00
Westminster	2.00	3.75	2.75	5.25	7.00	6.00
Etiwanda	2.00	3.75	2.50	5.00	6.75	5.50
Arrowhead	2.25	3.75	3.75	5.25	7.00	8.50
Crestline	2.25	3.75	3.75	5.25	7.00	8.50
Lancaster	2.25	3.75	3.75	5.25	7.00	8.50
Santa Barbara	2.50	3.75	3.75	7.00	7.75	7.50
Oxnard	2.50	3.75	3.75	6.00	7.25	7.50
Santa Maria	2.50	3.75	3.75	6.00	7.25	7.50
Carpinteria	2.50	3.75	3.25	5.50	7.00	6.75
Lompoc	2.50	3.75	3.25	5.50	7.00	6.75
Santa Paula	2.50	3.75	3.25	5.50	7.00	6.75
Santa Ynez	2.50	3.75	3.25	5.50	7.00	6.75
Guadalupe	2.50	3.75	3.00	5.25	6.75	6.25
Los Alamos	2.50	3.75	3.00	5.25	6.75	6.25
Thousand Oaks	2.50	3.75	3.00	5.25	6.75	6.25
Fowler	2.50	3.75	3.25	5.50	7.00	6.75
Lindsay	2.50	3.75	3.25	5.50	7.00	6.75
Reedley	2.50	3.75	3.25	5.50	7.00	6.75

be authorized in the exchanges located outside of the Los Angeles extended area where 4-party business service now is furnished.

The increases proposed in the minimum charge per month for semipublic toll station service, in telegraph service rates, and in certain other miscellaneous rates will be authorized.

The applicant has proposed an increase in pay station service from 5 to 10 cents per local message. A witness for applicant testified that a minimum period of twelve months would be required to provide the necessary equipment to make such a change fully effective. In view of the fundamental nature of such a change, the increase will not be authorized in this order. However, new equipment purchased by applicant should be arranged so as to permit the placing into effect of a rate other than 5 cents for local messages, should the Commission here-

after find a change in rate to be justified.

The applicant proposes to establish a new exchange, to be designated the Zuma exchange, which would include all of the present Zuma district area of the Malibu exchange and a portion of the Oxnard exchange, as shown on Exhibit A, page 9, attached to the application. It is estimated that facilities could be made available to establish such exchange some time during 1952. We are of the opinion that the removal of the Zuma district area as a part of the Los Angeles extended area would not be a desirable step to be taken at this time. The Zuma district has its own toll rate center so that customers in the Zuma district area pay toll charges based on their location relative to all other exchanges. While this area is sparsely developed at present, it is included in the local service area for the Santa Monica and Canoga

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Park exchanges, and the present service arrangements should be continued. Accordingly, the request to establish the proposed Zuma exchange is denied.

The Commission is of the opinion that further consideration should be given to the introduction of extended service in the Carpinteria exchange with the view to providing such service on a 2-way basis between Santa Barbara and Carpinteria. The order will provide for the company to submit a study covering traffic analysis, revenue, expense, and plant effects of introducing such service, and to submit a similar study covering extended service, between the Thousand Oaks, Oxnard, and Santa Paula exchanges.

ORDER

Associated Telephone Company, Ltd. having applied to this Commission for an order authorizing increases in rates, public hearings having been held and the matter having been submitted for decision,

It is hereby found as a fact that the increases in rates and charges authorized herein are justified and that present rates, in so far as they differ from those herein prescribed, are unjust and unreasonable; therefore,

It is hereby *ordered* that

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, rates and conditions revised as set forth in Exhibit A attached hereto [omitted herein], and, on not less than two days' notice to the Commission and to the public, to make said rates effective for service furnished on and after July 21, 1951.

2. Applicant, within the exchanges herein specified, is authorized to cancel rates for local service, other than local foreign exchange service, on or after July 21, 1951, but not later than September 1, 1951, in the Santa Monica and West Los Angeles exchanges and not later than June 1, 1952, in the Covina, Downey, Malibu, Redondo, and Whittier exchanges.

3. Not later than April 1, 1952, applicant shall submit a study covering traffic analysis and revenue, expense and plant effects of introducing extended service, together with applicant's recommendations thereon, between the Carpinteria and Santa Barbara exchanges and between the Thousand Oaks, Oxnard, and Santa Paula exchanges. These studies, after being filed with the Commission, shall be open to public inspection.

KENTUCKY PUBLIC SERVICE COMMISSION

Re Ashland Home Telephone Company

Case No. 2150

June 13, 1951

APPPLICATION for approval of proposed telephone rate increase;
granted in part and denied in part.

Valuation, § 39 — Rate base determination — Reproduction cost.

1. Reproduction cost new is not acceptable as the sole element to be considered in arriving at a rate base, although due consideration is given to such evidence, p. 18.

Valuation, § 36 — Rate base determination — Net average investment.

2. The net average investment in telephone plant, as developed by the Commission's staff, was considered tenable to test the reasonableness of a telephone rate increase, p. 18.

Expenses, § 28 — Original cost study — Amortization of expense.

3. Expenses in connection with the original cost study of a telephone company should be amortized over a period of not less than seven years, rather than over a 4-year period, p. 19.

Return, § 111 — Telephone company.

4. A return of 6 per cent upon a telephone company's net average investment was considered fair and reasonable, p. 19.

Discrimination, § 182 — Telephone rates — Discrepancy in mileage charges.

5. A telephone company's application of a mileage charge to one exchange only, rather than to all exchanges, is discriminatory and should not be permitted, p. 20.

APPEARANCES: For the applicant, Ashland Home Telephone Company: Donald C. Power, Columbus, Ohio, and Louis Cox, Frankfort, Counsel.

For the protestants, city of Ashland: A. W. Mann, Corporation Counsel, William B. Arthur, Assistant Corporation Counsel, Hon. Will C. Simpson, Mayor, M. B. Montgomery, Member, Board of Commissioners, and Richard O. Parmelee, Manager, Ventura Hotel; city of Catlettsburg: Tom Phipps, City Attorney, and Hon. Elmer Rice, Mayor; city of Vanceburg:

Edwin P. Holder, City Attorney, Dr. H. M. Bertram, Jr., Chairman, Lions' Club Committee, and John F. Bertram, Jr., a merchant of Vanceburg; city of Liberty and county of Casey: Morris P. Montgomery, City Attorney; city of Grayson: Tom Theobald, Attorney, and Homer Hartwell, Editor, "Journal Enquirer"; city of Owingsville: Dr. D. C. Dotson, Mayor, Jimmy Richardson, City Attorney, and Andrew Denton, Member, City Council; city of Russell: Diederich and Lycan, Attorneys, Ashland, and A. C. Fos-

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son, Acting Mayor; city of Lancaster, Garrard county: Cecil Sanders, City Attorney; Garrard County Board of Commerce: J. W. Marsee, Lancaster; city of Hazard and other protesting cities: Charles E. Whittle, Special Counsel, Brownsville; Hazard Coal Operators Association: W. B. Sturgill, Executive Secretary, Hazard.

For the Commission: J. Gardner Ashcraft, Assistant Attorney General.

By the COMMISSION: On the 26th day of September, 1950, the applicant, Ashland Home Telephone Company, filed its notice with the Commission that it proposed to adjust its rates upward in conformity with tariffs filed with this notice, effective on and after the 21st day of October, 1950.

On the 11th day of October, the Commission, by order pursuant to § 278.190 KRS, suspended the proposed rates for a period of one hundred and twenty days. Thereupon the applicant elected to place the proposed rates into effect by posting a bond approved by the Commission and conditioned as required by the said 278.190 KRS. At the expiration of the one hundred and twenty days, the Commission again suspended the proposed rates for an additional one hundred and twenty days, and the company again filed a bond approved by the Commission and continued the proposed rates in effect.

Protests against the proposed increase were also filed by:

Richard O. Parmelee, manager, Hotel Ventura, Ashland, Kentucky; D. Andrew Shearard, attorney for city of Berea, Berea, Kentucky; L. C. Britton, president, Berea Chamber of Commerce, Berea, Kentucky; M. M.

Cox, mayor of the city of Flemingsburg, Flemingsburg, Kentucky; Farm Bureau of Fleming County, by Ivan P. Arnold, president, and G. L. Creamer, secretary, Flemingsburg, Kentucky; Fleming County Woman's Club, by Jean Fleming, president, Flemingsburg, Kentucky; The Honorable L. B. Conn, mayor, city of Lancaster, Lancaster, Kentucky.

Hearings were held upon the application and the protests starting on December 12, 1950, and continued from time to time until the final hearing which was concluded on the 29th day of May, 1951. At said hearings, applicant, protestants, and the staff presented their evidence and exhibits on the issues before the Commission.

Organization

Applicant is a corporation chartered under the laws of the state of Delaware authorized to provide local exchange service and toll service in Ashland, Kentucky, and sixteen other localities in eastern Kentucky. The Ashland Home Telephone Company has provided telephone service in this general area for a number of years and during these years the company has been under the control of at least three holding companies. In 1946 the General Telephone Corporation (a holding company) secured control of the applicant company and since then the applicant has operated as a wholly owned subsidiary of the General Telephone Corporation.

The General Telephone Corporation is a holding company owning practically all of the common stocks of its subsidiaries which includes a directory publishing company, a service and advisory company, a telephone equip-

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ment manufacturing company, a telephone equipment and sales and distributing company, and fifteen operating telephone companies serving in excess of one and one-fourth million subscribers through 1,080 central offices in eighteen states. In addition to owning the equity securities of these companies, General also provides certain debt moneys to its subsidiaries.

On December 21, 1940, the applicant company served 12,124 subscribers and, as of December 31, 1950, the company was serving 22,198 customers through its seventeen exchanges in eleven counties.

Capital Structure

Applicant's capital structure as of December 31, 1950, consisted of 15,000 shares of no-par common stock stated at \$360,000; Funded Debt at \$736,000; Advances from Affiliated Companies \$450,000 (General Telephone Corporation); Notes Payable of \$600,000 to banks and Demand Notes Payable to affiliated companies (General Telephone Corporation) \$1,350,000. The average total capital for the year, considering the above items in varying amounts over the year 1950, was \$3,316,403.

Rate Base

[1, 2] The applicant company introduced in evidence rate bases based on two separate methods of valuations. One was net investment, and the other was based on a valuation they termed Reproduction Cost New. This Commission has consistently refused to consider Reproduction Cost New as the sole element of valuation for rate-making purposes. For the reasons

stated in Case No. 1710, Re Southern Bell Teleph. & Teleg. Co. (1948) and reported in 76 PUR NS 33, the Commission again refused to accept this method of valuation as the sole method to be considered in arriving at a rate base, although due consideration has been given to the evidence introduced. Also, from the evidence, it appears that the so-called Reproduction Cost New value was not arrived at by actual inventory and appraisal but was a trend of dollars upon an inventory and appraisal made several years prior to this action.

The staff developed a net average investment for the year ending December 31, 1950, in the amount of \$3,367,563. This consisted of Telephone Plant in Service in the amount of \$3,430,450, to which has been added Telephone Plant under Construction in the amount of \$100,288; Material and Supplies in the amount of \$206,706; unclassified Cost of Telephone Plant \$285,528, and an allowance for Cash Working Capital in the amount of \$75,000, and from this total, there has been deducted the average balance in the Reserve for Depreciation in the amount of \$673,904.

The average net investment, as shown in the staff testimony, includes an average amount of \$285,528, as set out on the Books of Account for the company, as Unclassified Telephone Plant. However, there is at the present time an original cost determination under way, after the completion of which the Utility Plant Acquisition Adjustment, if any, can be determined with greater certainty. Therefore, for purposes of this case, the Commission will consider the amount of \$3,367,563 as being at least tenable to test the

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reasonableness of the rates sought herein.

The Commission is of the further opinion that no amortization of the Utility Plant Acquisition Adjustment amount should be considered at this time pending the final determination of the amount properly chargeable to this account.

Operating Income

[3] The evidence of record shows that for the year ending December 31, 1950, the company had a Net Operating Income of \$146,934, which included \$63,000 of revenues collected by the company under bond pending disposition of this rate case. Had the rates that were in effect prior to October 21, 1950, been in effect for the entire year ending December 31, 1950, the Adjusted Net Operating Income would have been \$83,934. Certain adjustments were suggested in the record to the Utility's Annual Operating Expenses, to reflect changes that will occur in the company's operating experience in the immediate future. The company has suggested that they anticipate that their Annual Depreciation Expenses will be reduced by the amount of approximately \$37,000 which will be occasioned at the time of the consolidation of the Ashland Home Telephone Company and the Kentucky Telephone Corporation, at which time the company proposes to adopt the depreciation rates of the latter utility. The company also contemplates that their annual Traffic Expense will be reduced in the future by some \$2,000, due to the inauguration of extended area coverage between Ashland and Catlettsburg. The company proposes to amortize its expenses in connection

with presentation of this rate case over a period of three years, and they estimate that this amortization would amount to approximately \$7,000 annually. The company also suggests an increase in their annual operating expense to the amount of \$20,000, for the purpose of amortizing their deferred expenses in connection with the preparation of the original cost study now under way. The company estimates that their total expenses in connection with this original cost study will amount to \$78,000. The Commission is of the opinion that the amortization of this amount should be over a period of not less than seven years, instead of an approximate 4-year period used by the company, and by applying the 7-year amortization, the company's operating expense would be increased approximately \$11,150.

Applying these adjustments to the operating experience of the company for the year ending December 31, 1950, and adjusting for the effect of income taxes, the adjusted net operating income for this period would be \$104,784. This will yield approximately 3.11 per cent return on the net average investment of the company as set out above.

Rate of Return

[4] Due to voluminous testimony of poor service rendered by the company and antiquated equipment in some of the exchanges, it would appear to this Commission that a reasonable and fair rate of return to this company based upon the entire record would be 6 per cent.

It would appear that the additional revenues giving due consideration to income taxes necessary to enable them

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to earn 6 per cent upon the net average investment is the sum of \$187,731.

It further appears from this record, considering the above net investment and the capital structure of this company, that such a sum will enable them to meet their operating expenses, taxes, fixed charges, pay reasonable dividends sufficient to maintain their credit and attract capital to meet the increased requirements for service so badly needed in the area in which they serve.

[5] It appears from the tariff of proposed rates filed with the Commission that there is a mileage charge proposed to be charged on multiparty rural lines in the Hazard exchange only, of all the exchanges, in which the applicant operates. The evidence disclosed that this mileage charge was inherited from the predecessor company which was the main reason for its continuance. The Commission is

of the opinion that to apply a mileage charge to one exchange only is discrimination and should not be permitted.

It further appears to this Commission from this record that there are certain inequities in the tariffs filed relative to types of service in the various exchanges involved. We have heretofore mentioned and disallowed any mileage charge at the Hazard exchange, and there is evidence in this record of inefficient service in certain of the exchanges, and insufficient and inadequate equipment. In preparing a rate schedule to raise the additional \$187,731, the company will give due consideration to these inequities, and submit their new rate schedules for the approval of this Commission.

An order has been drawn in conformity to this opinion. [Order omitted herein.]

MICHIGAN PUBLIC SERVICE COMMISSION

Re Michigan Bell Telephone Company

T-252-51.11

July 26, 1951

MOTION by attorney general on behalf of ratepayers to dismiss telephone company's application for rate increase; decision held in abeyance pending judicial decision on similar issue involving same parties and proceeding reopened for submission of additional evidence.

Rates, § 648 — Evidence — Need for rate increase — Insulation against depression.

1. Evidence presented by a utility to show that it needs a rate increase to insulate it against a depression is of dubious value, particularly where the company's own experts testify that such a depression would not occur within the foreseeable future, p. 22.

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Valuation, § 211 — Rate base — Plant margin.

2. Evidence supporting an application for a rate increase which shows the difference between existing plant margins and those of ten years ago and the cost of adding plant to achieve the former margins was not given great consideration because the earlier period marked the end of a prewar depression, when utility facilities were substantially greater than consumers' ability to use them, and because the economic desirability of permitting a return on the large idle plant capacity of that period was not apparent, p. 22.

Valuation, § 22 — Effect of price level changes — Evidence.

3. The effect of price level changes on the value of telephone property cannot be determined by evidence of a general character, since such evidence completely overlooks decreases in labor costs through technological advances in telephone equipment, decreases in maintenance costs through replacement of old plant with more efficient facilities, and decreases in overhead cost through utilization of plant at nearly full capacity, p. 22.

Rates, § 143 — Factors considered — Costs and revenues — Value.

4. The pragmatic elements of operating costs (including cost of capital) and revenues deserve first consideration over metaphysical concepts of value, in determining what are proper rates for a telephone utility, p. 22.

Return, § 41 — Telephones — Evidence of parent company's earnings.

5. Data contained in a report of the Federal Communications Commission setting out financial results of the Bell Telephone System is material and competent in a proceeding in which a subsidiary operating company is basing its need for additional revenue on an aliquot portion of estimated total Bell System required earnings, interstate and intrastate, p. 22.

Rates, § 153 — Intercorporate relations — Subsidization of out-of-state operations.

6. Telephone subscribers of an operating company should not be required to subsidize the operations of its parent company in other states by being required to pay rates permitting a disproportionate contribution by the local company to its parent, p. 22.

Rates, § 640 — Procedure — Rate increase application — Motion to dismiss.

Statement that a motion to dismiss an application for a rate increase proceeds upon the theory that the company's evidence, taken as a whole, does not prove any necessity for rate relief and involves a consideration in general of the type of evidence, and conclusions therefrom, submitted by the utility, p. 22.

Commissions, § 26 — Decision on question before court — Current investment cost.

Statement that the Commission will not decide whether evidence showing a telephone company's current investment cost should be admitted in a rate proceeding, where a legal issue involving the same question and the same parties is before the state court for determination, p. 23.

By the COMMISSION: At a session of the Michigan Public Service Commission held at its offices in the city of Lansing on the 26th day of July, A. D. 1951.

By application filed May 14, 1951, Michigan Bell Telephone Company sought authority to make effective rates, rentals, and charges throughout its exchanges in the state of Michigan

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realizing an increase in its gross annual revenues of \$22,000,000. Hearings, at which various municipalities intervened on behalf of ratepayers, were held June 4th through June 8th before the Commission. At the conclusion of applicant's case the assistant attorney general, on behalf of ratepayers generally in the state of Michigan, moved: To dismiss the application upon the ground that applicant's evidence, if admitted, did not establish any need for the proposed rate increases sought; and to strike all testimony and exclude all exhibits relating to the "current investment cost" of applicant's property.

I

The motion to dismiss the application proceeds upon the theory that applicant's evidence, taken as a whole, does not prove any necessity for rate relief. This involves a consideration in general of the type of evidence, and conclusions therefrom, submitted by applicant.

[1] A portion of applicant's evidence was directed at showing the desirability of increasing present rates to insulate it against a depression which its own experts testified would not occur within the foreseeable future. Such evidence is of dubious value.

[2] Other evidence was introduced to show that existing plant margins were less than those of 1940 and indicated the cost of adding plant to achieve 1940 margins. This Commission cannot help but notice that the year 1940 marked in general the end of the period affected by the prewar depression and that during said period utility facilities were substantially

greater than consumer's ability to utilize the same. Frequent statements were then made that rates could not be reduced because of high fixed costs resulting from unused plant capacity. The economic desirability of permitting a return to the high percentage of idle plant capacity of that period is not apparent.

[3] Applicant also relied upon increases in the general price level and sought increased compensation through a claimed increase in the value of its property devoted to telephone service in Michigan. The effect of price level changes, in our opinion, cannot be determined by evidence of a general character. The same completely overlooks, for example, decreases in labor costs through technological advances in telephone equipment, decreases in maintenance costs through replacement of old plant with more efficient facilities, and decreases in overhead cost through the utilization of plant at nearly full capacity.

[4] Telephone plant is not installed, nor dividends paid, with rate bases or rates of return but with dollars secured from ratepayers through rates for telephone service. In the view we take of the matter, the pragmatic elements of operating costs, including cost of capital, and revenues deserve our first consideration over metaphysical concepts of value. Applicant recognizes this in the final analysis by its argument that wage increases, increased income taxes, and increased cost of capital necessitate rate relief. The present record is inconclusive in these respects however, and applicant will be required to furnish certain operating reports.

[5,6] The attorney general based

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certain arguments in support of his motion upon the report of the Federal Communications Commission for the year 1950, No. 63,031. This report set out in detail financial results of the Bell System of which applicant is an affiliated company. Applicant calculated its dollar requirements on an aliquot portion of estimated total Bell System required earnings, interstate and intrastate. We therefore deem the data contained in this report, showing applicant's proportionate contribution to the Bell System, to be material and competent. This Commission can see no reason why Michigan ratepayers, through rates permitting a disproportionate contribution by applicant to the Bell System, should be required to subsidize Bell System operations in other states. Applicant will be required to file with us information submitted to the F. C. C. relating to said report by the Bell System, affiliates thereof, and American Telephone and Telegraph Company. Although certain of this information is released regularly to the public press, as witness The Wall Street Journal of July 17, 1951, we conclude it should be formally in evidence in this proceeding.

In the rate proceeding culminating in our order of June 19, 1950, 85 PUR NS 327, there was a noticeable tendency on the part of applicant's evidence to overstate operating costs and understate revenues as tested by subsequent recorded results reported to this Commission. The Commission staff will therefore be required to submit in evidence operating results for the periods indicated.

On brief the attorney general, and certain intervenors, argue applicant's evidence wholly fails to prove any ne-

cessity for the proposed increases, while applicant argues the same conclusively establishes a need for the rates sought. In our opinion, evidence presently before us for consideration does not permit of a finding in either direction. By statute this Commission fixes just and reasonable rates for telephone service within the state of Michigan and prohibits unjust and unreasonable rates for such service, Act 206, Pub Act 1913, Mich Stats Anno 22.1441, et seq. This proceeding will be reopened for submission of the evidence herein-after found necessary for us to perform our statutory function and decision on the motion to dismiss is hereby held in abeyance pending receipt of such evidence.

Certain intervenors formally joined in the motion to dismiss and filed briefs and statements relating thereto. Our order will permit these intervenors to submit such evidence, as they may have available, pertaining to applicant's operations.

II

The evidence which the attorney general has moved to exclude from the record consists of certain opinions of witnesses Crampton & Patterson and the calculations upon which said opinions were based as set forth in Exhibits 7 and 24. In arriving at so-called "current investment cost" indices purporting to represent estimated present costs of materials and labor were factored against property accounts of plant in service in an attempt to calculate what present plant would cost if built at today's prices.

Neither the witnesses nor the exhibits relate this "current investment

MICHIGAN PUBLIC SERVICE COMMISSION

cost" to present operating costs of applicant in any concrete manner. However, a legal issue, analogous to that raised by the instant motion, and involving the same parties, is before the circuit court for the county of Ingham in Attorney General v. Public Service Commission, Chancery No. 31,644. In that proceeding, instituted by the attorney general, the matter has been briefed and awaits decision. We therefore hold the opinions and exhibits pertaining thereto to be admissible in this proceeding, pending resolution of the issue by current processes of judicial review. In so ruling we pass no opinion on the evidentiary value to be accorded "current investment cost," and we do not find the evidence to be conclusive of any of the issues in this proceeding and have therefore reopened the proceeding for the submission of such evidence as we herein find necessary.

In the disposition thus made in this matter we have not overlooked the possible effect on these proceedings of judicial decision in any or all of the litigation involving applicant and previous orders of this Commission. It is therefore *ordered*:

(1) That applicant submit in evidence the Comptroller's Monthly Report No. 1 (Form S. N. 152) Sheets 1 and 2 for the year 1950, and the six months' period ending June 30, 1951, of:

(a) The Bell System.

(b) The American Telephone and Telegraph, Long Lines Department.

(c) All Bell System operating companies, including applicant.

(2) That the Commission staff submit in evidence:

(a) Operating results of applicant recorded for the calendar year 1950, including plant, depreciation, revenues, expenses, taxes, and working capital.

(b) Operating results of applicant recorded for the six months of the calendar year 1951, ending June 30th, including plant, depreciation, revenues, expenses, taxes, and working capital.

(c) Forecast of applicant's operating results for the calendar year 1951, including plant, depreciation, revenues, expenses, taxes, and working capital.

(d) Cost of capital to the applicant.

(3) That intervenors may submit such evidence as they have available pertaining to applicant's operations.

(4) That decision on the motion to dismiss will be held in abeyance and these proceedings reopened for consideration of the foregoing evidence at hearing on the 5th day of September, 1951, at the offices of the Commission, Prudden Auditorium, Lansing, Michigan.

(5) That in lieu of applicant submitting the evidence herein required of it at said hearing so held this application shall be dismissed.

MICHIGAN PUBLIC SERVICE COMMISSION

Re Union Telephone Company

T-223-51.4
July 23, 1951

APPPLICATION by telephone company for authority to increase rates; rate increase authorized.

Return, § 111 — Telephone company — Cost of capital.

1. A return of 3.6 per cent on a telephone company's mortgage indebtedness, 5.7 per cent upon preferred stock capital, and from 10 to 12 per cent on equity investment, represented by common stock and surplus, was considered necessary to enable the company to maintain its credit at a level which would permit it to enter the security market and acquire additional capital from time to time by the issuance of stocks and bonds in such proportions as to afford reasonable income protection for the bondholders and to secure a favorable over-all cost, p. 27.

Return, § 111 — Telephone company.

2. A telephone company was authorized to increase rates to yield a return of approximately 8 per cent on net plant investment, p. 27.

Return, § 24 — Commission policy — Attraction of capital.

3. The Commission's policy is to approve telephone rates required for a sound credit standing so that the company may attract capital necessary for plant rehabilitation, dial conversion, and expansion to serve present customers better, and to serve applicants whose orders are being held because of facility shortages, p. 28.

By the COMMISSION: At a session of the Michigan Public Service Commission held at its offices in the city of Lansing on the 23rd day of July, A. D., 1951.

Application was filed in the above matter March 9, 1951. Hearings were held March 26 and 27 and on May 16, 17, and 18, 1951. The application contained new schedules of local rates for all exchanges of the company, which schedules, if made effective, would result in a revenue increase of approximately \$713,920 on an annual basis. Also the application proposed the application of standard

toll message rates to certain specified routes where heretofore a basic charge of 5 cents for each message had been made. The revenue value of all the proposed charges (after adjustment for uncollectibles) would be approximately \$715,752 on an annual basis.

Union Telephone Company was incorporated in Michigan on March 22, 1899. Since the merger of the Tri-County Telephone Company with the Union Telephone Company on December 20, 1949, the Union Telephone Company has served some 61,000 telephones, approximately, through 73 exchanges located generally in the cen-

MICHIGAN PUBLIC SERVICE COMMISSION

tral, west, southwest, and southeastern parts of Michigan. Higher exchange rates were authorized for all of these exchanges on March 1, 1949, following applications filed on December 1, 1948, by the Tri-County and Union Companies. The combined increases then granted amounted to approximately \$495,000 annually.

Since the increase in rates was approved in March, 1949, there has been a substantial increase in the number of telephones served, the total for all exchanges increasing from approximately 50,000 at the beginning of 1949 to 61,000 approximately at the end of December, 1950. At the end of April, 1951, 62,767 telephones were being served, and about 4,400 orders for new service were being held for additional facilities.

Also, since the beginning of 1949, the company's gross investment in telephone plant in service has been increased from approximately \$8,300,000 to approximately \$10,100,000, an increase of about \$1,800,000. The application calls attention to the increases in expenses and taxes, which increases, since the date of the last rate revision, have been at a much greater rate than the increase in revenues from added customers. This has resulted in a declining net income to care for a constantly increasing investment. At the time of the application the over-all rate

of return upon the capital invested in the form of stocks, bonds, and surplus, was only 3.01 per cent, according to the company's exhibits.

The company, in its testimony, adjusted the revenues, expenses, and taxes for the one-year period ending October 31, 1950, to conditions in the business prevailing at the close of the period and showed that its net operating income was \$259,588 or 3.36 per cent return on the net original cost of the plant, plus materials, supplies, and working capital.

A forecast on the company's results for the year 1951 which was introduced by the Commission staff, indicates that at wage rates, tax rates, and rates and charges for service then in effect, the company will have approximately \$335,587 or 4.50 per cent return on its average net investment including working capital, material, and supplies. If this result is further adjusted, however, for (1) the reduction in annual depreciation expense of \$21,461, approximately, occasioned by the recent reclassification of the company's investment in plant, and (2) an increase in annual operating expense of \$111,140, approximately, as a result of wage adjustment made effective June 1, 1951, the annual net operating income is reduced to \$288,057, as shown below:

Estimated Net Income

Test Year 1951

Net Operative Income forecast for the year 1951		\$335,587
Increased Expense due to June 1, 1951 wage increase	\$111,140	
Reduction due to change in annual depreciation expense	21,461	
	<hr/>	
Net increase in expenses	\$89,679	
Reduction in Income Taxes due to increased expenses	\$42,149	
	<hr/>	
Net decrease in Operating Income		\$47,530
Adjusted Net Operating Income		<hr/> \$288,057

RE UNION TELEPH. CO.

The applicant has alleged that its earnings must be sufficient to attract investors to supply the capital for the construction and improvement of its facilities in the future.

[1, 2] With respect to the costs of various classes of capital, there is little difference of opinion between witnesses. It appears from the testimony that a return of 3.6 per cent on indebtedness represented by mortgage bonds, 5.7 per cent upon capital represented by preferred stock, and from 10 to 12 per cent on the equity investment, represented by common stock and surplus, is required by the applicant upon suitable proportions of such

securities. Such earnings will maintain the company's credit at a level which will permit it to enter the security market and acquire additional capital from time to time by the issuance of stocks and bonds in such proportion as to afford reasonable income protection for the bondholders and secure a favorable over-all cost.

The petitioner's existing proportions of debt and equity appear reasonable; therefore, the annual return requirement under present circumstances appears to be approximately \$580,567 based upon the petitioner's securities outstanding as of March 31, 1951, as shown by the following table:

Net Operating Income Requirement

	Amount	Annual Requirement
Bonds (3½% 1st Mtge.)	\$3,648,000	
Less Discount	89,794	
	<u>\$3,558,206 @ 3.6%</u>	\$128,095
Preferred Stock (5.40)	750,000	
Expense	48,075	
	<u>\$701,925 @ 5.7%</u>	40,009
Capital Stock	\$3,700,000	
Surplus	530,003	
	<u>\$4,230,003</u>	
Less Investment in Texas Telephone Co.	792,811	
Total Equity	<u>\$3,437,192 @ 12.0%</u>	\$412,463
Net Operating Income Requirement		<u>\$580,567</u>

The foregoing net operating income will provide approximately 8 per cent return upon \$7,207,897, the estimated average 1951 net plant investment plus working capital, materials, and supplies.

In finding required net operating income after taxes in the above amount and in the indicated ratio to the net investment in plant, materials, and supplies, the Commission is not fixing the minimum return below which the

company will suffer confiscation, nor the maximum return above which the rates will be oppressive upon the public. Witness Dunlap in response to questions by the Commission testified that the rates petitioned for would not result in liability for payment of excess profits tax, and accordingly we believe the amount, granted in the order of May 31, 1951, will not result in excess profits tax liability. Under current conditions the company should

MICHIGAN PUBLIC SERVICE COMMISSION

with this income be able to secure adequate capital upon favorable terms for all of its foreseeable future financial requirements.

[3] It is apparent to the Commission that prices of materials, equipment, supplies, services, and the wage of employees, together with taxes, have increased greatly since the last rate relief was afforded to petitioner. It is the policy of the Commission to approve rates which are required for a sound credit standing so that the utility may attract the capital necessary for its plant rehabilitation, dial conversion, and expansion to better serve present customers and to furnish service to applicants whose orders are being held because of facility shortages. Should the company's net earnings prove in time to be too high, or should there be a marked reduction in the cost of capital, the Commission will not permit excessive, unjust, or unreasonable rates to be charged to the public, but will take prompt action to reduce them, and should events turn in the opposite direction, the company always has recourse to the Commission, for regulation is a continuing process.

The testimony of witnesses has been carefully weighed and as hereinbefore indicated the Commission finds that:

(1) The applicant requires under present conditions net operating income, after taxes, in the amount of \$580,567 a year, approximately.

(2) Under present conditions the applicant for the test year will have approximately \$288,057 of net operating income after taxes, the additional

net operating income required is \$292,510.

(3) Upon the basis of the test year, increased gross annual revenue in the amount of \$551,906 will be required to provide \$292,510 annual net income after income taxes.

(4) Upon the basis of the telephones in service as of October 31, 1950, additional annual gross revenue in the amount of \$546,000 is required, and the rates shall be determined upon the basis of the telephones in service on that date.

The Commission in this cause by its Order T-223-51.2 dated May 31, 1951, authorized and directed the applicant, Union Telephone Company, to prepare and submit for approval a general schedule of rates and charges for telephone service to provide for an increase in gross revenues on an annual basis in the amount of \$546,000 determined upon the basis of the telephones in service as of October 31, 1950; and by its Order T-223-51.3 in this cause dated June 7, 1951, prescribed the specific rates and charges made effective June 1, 1951, under its Order T-223-51.2 throughout the territory of Union Telephone Company, all pursuant to and in accordance with findings (1), (2), (3), and (4) above.

Findings and opinion relating to this company's service are made in our service order of even date.

The Commission retains jurisdiction of the matters herein contained and reserves the right to issue such further order, or orders, as the circumstances may require.

Re South Atlantic Gas Company

APPPLICATION by gas company for authority to increase rates for residential and commercial service; modified rate increase authorized.

1. While it is proper to make pro forma adjustments to the most recent year's operation of a utility to reflect changes such as increases in wages and income taxes, it is not necessary to estimate all items entering into the operation of the company, in determining the reasonableness of earnings, since to do so is to delve into the realm of speculation as to each adjusted item. p. 31.

2. The only amount allowable for Federal income taxes in the expense account of a utility is that resulting from the presently effective rate, notwithstanding anticipation of a higher tax rate, p. 32.

3. A 6½ per cent rate of return was considered adequate for a manufactured gas utility, based on average capitalization during the preceding operating year, p. 32.

South Atlantic Gas Company published notice of the time, place, and purpose of the hearing as required by the Commission in the February 23 and 24, 1951, issues of both the Savannah Morning News and the Savannah Evening Press. There were no appearances at the hearing in opposition to the application.

The petition of the company alleges that an increase in rates for gas service has become necessary due to an increase in the cost of materials entering into the production of gas, increases in wages and salaries, and increases in other operating expenses, and further that under these circumstances, petitioner is entitled to an in-

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GEORGIA PUBLIC SERVICE COMMISSION

crease in rates in order to earn a reasonable return on its investment in gas plant and equipment in Savannah, Georgia.

According to the evidence and testimony submitted at the hearing, the current cost of materials entering into the production of gas is \$8,577 per annum more than the actual cost of these materials during the year 1950, based upon the application of current prices to the quantities of materials used in 1950. It was further alleged that the current payroll of the company as compared to that in 1950 is \$63,661 additional on an annual basis, this amount representing the portion of the Savannah payroll chargeable to operating expenses, and excluding that portion of the payroll increase chargeable to fixed capital. The company estimated that the application of the new 3 per cent state sales tax to materials purchased chargeable to operating expenses will increase the cost of operation by \$5,271 per year. In addition the company claimed that its depreciation expense will be \$2,520 per annum higher than in 1950, the amortization of leasehold improvements will be \$1,609 less than in 1950, and that general taxes will increase \$2,968 over the amount for 1950, the total of all such adjustments being \$81,388. The company computed that, based on the revenues which would be received from the proposed increase in rates, the Federal and state income taxes would increase from \$97,156 per annum to \$162,621 per annum, giving effect to the increased taxable income and to an increase in Federal income tax rates from 42 per cent to 55 per cent.

The requested increase in rates
90 PURNS

would provide \$151,429 of additional gross revenue which, less the alleged increases in operating expenses and income taxes, would increase the net earnings from the operation of the Savannah division from \$197,235 for the year 1950, to \$201,811 on an annual basis. After giving credit to the capitalization of the company properly assignable to Florida operations, and eliminating the capitalization assignable to nonutility operations in Georgia, the above pro forma net revenue would amount to a return of approximately 6.6 per cent on the total capitalization of the company, or about 10 per cent on equity capitalization according to the company. Testimony was submitted in support of a price earnings ratio of 10 per cent for the equity capital of this company based on recent reported earnings and quoted market prices. The forecasted net revenue of \$201,811 would represent a rate of return of some 7 per cent on plant and equipment at original cost less accrued depreciation reserve, including an allowance for materials and supplies and cash working capital.

The proposed increase in gross revenues requested by the company in the amount of \$151,429 per annum results from specific rate changes in the residential and commercial schedules. The application of the company contemplates increases in its residential rate by raising the first step in that rate from one dollar to \$1.60 per month for the first 400 cubic feet of gas, and an increase in addition thereto of 5 cents per thousand cubic feet on all gas consumed in excess of the first 400 cubic feet per month. The change in the commercial schedule would raise

RE SOUTH ATLANTIC GAS CO.

the first step in that rate from \$1.50 to \$2 per month for the first 300 cubic feet of gas and likewise the rate for all gas used in excess of that quantity would be at a 5 cent per thousand cubic feet higher rate. The company further proposed to eliminate the prompt payment discount feature of these schedules. It appears that the rate increase requested by the company is somewhat greater than actually required, and the rates prescribed in this order appear adequate after con-

sidering the evidence and testimony submitted.

The following income-statement sets forth revenues and expenses, first in actual amount for the year 1950, second as adjusted by the company to give effect to the numerous factors discussed above, and third, as found to be reasonable by the Commission. The figures shown are for the Savannah division of the company, excluding nonutility operations:

Item	Year 1950	Pro Forma	
		By Company	By Commission
Gross Operating Revenues	\$1,308,325	\$1,459,754	\$1,387,398
Operating Expenses	860,310	937,819	937,551
Depreciation Expense	55,080	57,600	55,080
Leasehold improvement amortization	2,293	684	684
Taxes (Other than Income)	96,251	99,219	96,251
Income Taxes	97,156	162,621	104,581
Total Operating Revenue Deductions	\$1,111,090	\$1,257,943	\$1,194,147
Net Revenue	\$197,235	\$201,811	\$193,251

The above pro forma gross revenue of \$1,459,754 reflects the proposed increase in rates requested by the company, while the figure of \$1,387,398 is based on a lesser increase in rates as prescribed in this order. Specifically, the rate increase herein prescribed produces \$79,073 per annum in increased revenue as compared to the \$151,429 per annum increase proposed by the company. The predicted operating expenses shown above have been reduced slightly by the Commission to reflect a one cent per gallon reduction in the state gasoline tax effective July 1, 1951, which was not taken into account by the company. The over-all increase in operating expenses contained in the Commission's pro forma figures is \$77,241, represented by the following items:

Item	Amount
Increased cost of production materials	\$8,577
Increase in payroll	63,661
Increase due to the 3% Georgia State Sales tax	5,003
Total	\$77,241

[1] The company proposes that its depreciation expense in the ensuing year will be some \$2,520 more than for the year 1950 based on an anticipated higher average plant investment. A similar adjustment was made in general taxes whereunder it was advanced that the ad valorem tax would be greater than during 1950 of a larger plant balance. If adjustments of this nature are to be taken into account, then it would logically follow that the anticipated rate base, the anticipated gross revenue (including new customers connected and increased sales), and the anticipated in-

GEORGIA PUBLIC SERVICE COMMISSION

crease in operating expenses brought about by larger volumes of business should also be considered. While it appears perfectly proper to make pro forma adjustments to the most recent year's operation to reflect changes such as increases in wages and income taxes, it does not appear necessary to estimate all items entering into the operation of a company to determine the reasonableness of earnings. To do so would delve into the realm of speculation as to each item adjusted. However, wage rate changes can be ascertained and if such changes had been in effect during the year's operation under review, they would have altered the company's earnings. In addition to wage rate changes, income tax liability can be accurately computed for the past year in order to determine the necessary increase in revenues. The operating results for the past year can then be evaluated based on revenues for the period, as well as average investment, or net plant value during the period with expenses adjusted only to give effect to factual changes now known to be a reality. Accordingly, no adjustment has been made in the depreciation expense or general taxes for the year 1950.

[2,3] The computation for Federal and state income taxes has been based on the current Federal income

tax rate of 47 per cent, and the state income tax rate of $5\frac{1}{2}$ per cent giving effect to the deduction of each tax from the other in determining net taxable income. The company computed its income taxes on the basis of an anticipated 55 per cent Federal rate and the $5\frac{1}{2}$ per cent state rate. At this time, the only amount allowable for income taxes is that resulting from the presently effective income tax rate taking into account the \$25,000 surtax exemption. If this tax rate should be revised, and on application from the company, the Commission will give consideration to the new rate then made effective.

According to the pro forma income statement as corrected, the net revenue of the company from the rates herein proposed will be some \$193,251, representing a return of approximately $6\frac{1}{2}$ per cent on the average capitalization for the year 1950 of the South Atlantic Gas Company applicable to the Savannah division utility operations. This rate of earning appears adequate for a manufactured gas utility, such as the South Atlantic Gas Company.

After careful consideration of this matter, it is the opinion of the Commission that there is justification for an increase in rates of the South Atlantic Gas Company for residential and commercial manufactured gas.



Industrial Progress

A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.



Westinghouse to Build Record-Breaking Power Transformers

WESTINGHOUSE ELECTRIC CORPORATION will build the three most powerful transformers in the world and two others that will rank among the largest in physical size, according to a recent announcement.

The three record breakers from the standpoint of power are 190,000-kva, 138,000-volt units ordered by the Detroit Edison Company. They will be installed in Detroit Edison's new St. Claire station.

The two giants from the standpoint of physical size soon to go into production are 150,000-kva transformers destined for Central Illinois Public Service Company. Because they will handle higher voltages—230,000 volts—and use air instead of water as the cooling medium, they must of necessity be physically larger than the 190,000-kva Detroit Edison transformers.

Each of the Central Illinois Public Service transformers will be as large as a six-room house (31 feet square and 28 feet high) and weigh approximately 250 tons. Forced-air cooling from 30 electric fans and 6 oil circulating pumps for each transformer will carry away the heat generated.

Each of the three Detroit Edison transformers will be cooled by 500 gallons of water passing through four external heat exchangers every minute. The water running through copper pipes in the heat exchangers will serve to cool the oil that is circulated through the transformer and the heat exchangers by means of four oil circulating pumps.

Nordberg Bulletin Describes Supairthermal Engine

DESIGN, operation, and engineering data on the Nordberg Supairthermal engine are presented in a 12-page bulletin published by Nordberg Manufacturing Company, Milwaukee 7, Wisconsin.

The bulletin (No. 191) describes how the Supairthermal engine achieves its ability to produce, in any given size, one-third more horsepower than the conventional turbocharged engine. This is illustrated by indicator diagrams and a comparison of the various piston strokes of a Supairthermal and a conventional turbocharged engine.

Comparative test data contained in the bulletin shows the advantages of the Supairthermal engine, principal of which are the engine's increased horsepower and thermal efficiency which result in more horsepower hours per gallon of fuel and lubricating oil. The engine

also costs less per horsepower for installation, operation, and maintenance.

Diagrams of the more common types of cooling systems applicable to the Supairthermal engine and presents a nomogram for determining the B.M.E.P. rating for the engine under typical operating conditions are also given.

Copies of the bulletin are available without cost, upon request.

AGA Reappoints Sargent, Chairman, Personnel Committee

DWIGHT S. SARGENT, personnel director, Consolidated Edison Company of New York, Inc., has been re-appointed chairman of the American Gas Association personnel committee, it was announced recently by George F. Mitchell, vice president of AGA.

The personnel committee studies and reports on industrial relations as they apply to the gas industry. The twenty-four man AGA group, made up of utility personnel men from all parts of the country, meets frequently and reports the latest developments in its field to the industry.

Mr. Sargent has been engaged in personnel work in Consolidated Edison and its predecessor companies almost continuously since he first joined the Brooklyn Edison Company in 1922.

New Sewer Booklet Announced By Portland Cement Asso.

PUBLICATION of a 48-page booklet entitled "Concrete Sewers" has been announced by the Portland Cement Association. Designed primarily as a reference book for sanitary engineers, the booklet contains a number of tables and charts packed with valuable information on the design and construction of concrete sewer systems. This material includes the latest available research data covering loads on sewer conduits.

Among the topic headings discussed in "Concrete Sewers" are the hydraulics and construction of sewers, types and design of sewer

(Continued on page 34)

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systems, and loads on sewers and sewer appurtenances. The final chapter covers maintenance and repair of sewer lines and includes information on safety precaution in sewer operations.

Individual copies of "Concrete Sewers" are available only in the United States and Canada on request to the Portland Cement Association, 33 West Grand avenue, Chicago 10, Illinois.

G-E Offers Bulletin on Induction Frequency Converters

A NEW four-page, two-color bulletin on Tri-Clad (Reg. Trade-Mark of G-E) Induction frequency converters has been announced as available from the General Electric Company, Schenectady 5, New York.

Designated as publication GEA-5637, the booklet covers three-phase equipment in ratings from $\frac{1}{2}$ to 100 kw. It describes the fundamentals, operation, and construction features of the high-frequency power supply apparatus, and includes application information modification, and limitations, and complete tables of ratings and frame sizes.

Acme Electric Enlarges Dry Type Power Transformer Plant

A NEW wing providing approximately 7,000 square feet of floor space is being added to the dry type air cooled transformer plant of Acme Electric Corporation at Cuba, New York. According to W. E. Wilson, vice president in charge of sales, this addition was necessary to increase the coil winding facilities for the Acme Electric line of dry type power and distribution transformers. A battery of coil winding machines will be installed to produce wound coils completely insulated and taped for hand finishing and testing operations. Vacuum impregnation, dipping and baking equipment to be installed will provide for straight line production methods with coils ready for assembly with cores in the main plant area.

Under the supervision of Joe Hupp, engineer in charge of this department, the Acme Electric line of dry type power transformers has been increased to include 225 KVA sizes.

Cleveland Trolley Coaches Feature New Electric Drive

THE 50 new trolley coaches being placed in service by the Cleveland Transit System, Cleveland, Ohio, are among the first in the nation to be equipped with the new motor and control system developed recently by the Westinghouse Electric Corporation.

These new 50-passenger coaches are called "Mainliners," and are the largest coaches ever built in quantity in the United States and are designed for service on the heaviest traveled surface lines.

The heart of the new coaches is the Westinghouse "super-series" motor, which retains the advantages of the series motor formerly

used in trolley coaches, but has additional features as well. When teamed with the newly-developed "Electrocam" control system, it makes possible smoother starts and gliding—rather than jerking—stops. When used for traction purposes, the motor provides an infinite number of accelerating rates for smooth starts. When power is removed, it operates as a brake and brings the coach to a gradual halt. This brake will be used for normal stops, but air brakes will be used in an emergency.

Other factors contributing to the comfort of the coaches, which were built by the Marmon-Herrington Company of Indianapolis, Indiana, are full-width seats and aisles, and double-stream doors at both the front and center of each coach. These doors will permit two streams of passengers to enter and leave the coach simultaneously.

Elliott Appointment

A. P. WENDLAND has been appointed manager of the general service department of the Elliott Company, with headquarters at Jeannette, Pennsylvania. Mr. Wendland suc-

(Continued on page 36)

STATEMENT OF THE OWNERSHIP, MANAGEMENT, AND CIRCULATION REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (39 U. S. C. 233) of Public Utilities Fortnightly published fortnightly at Baltimore, Maryland for October, 1951.

1. The names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher: Public Utilities Reports, Inc., Washington, D. C.

Editor: Ellsworth Nichols, Washington, D. C.
Managing editor: Francis X. Welch, Washington, D. C.

Business manager: A. S. Hills, Washington, D. C.

2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.) Public Utilities Reports, Inc., Washington, D. C.; William J. Hagenah, Glencoe, Ill.; Owen D. Young, New York, N. Y.; George H. Blake, Newark, N. J.; Stuart M. Crocker, New York, N. Y.; George F. Mitchell, Chicago, Ill.; George H. Clifford, New York, N. Y.

3. The known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None.

4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

PUBLIC UTILITIES REPORTS, INC.
A. S. Hills, Business Manager

Sworn to and subscribed before me this 14th day of September, 1951.

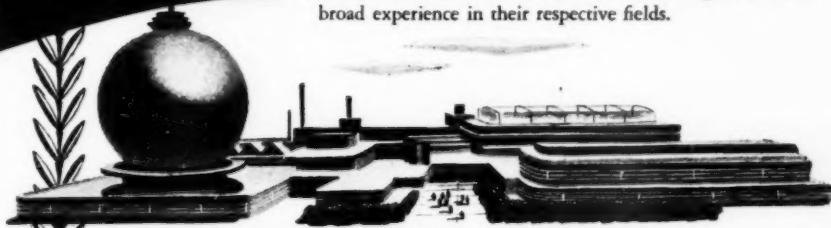
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Notary Public

(My commission expires September 1, 1953)

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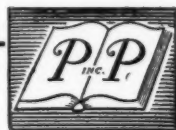
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ceeds the late Frank Murphy who had been Elliott service manager since the department was organized in 1918.

N. Y. Telephone to Spend \$180,000,000 on Expansion

NEW YORK TELEPHONE COMPANY plans to spend a total of \$180,000,000 for improvements and new facilities in 1952, of which approximately \$130,000,000 has been earmarked for facilities in the New York city area Westchester and Nassau counties.

Keith S. McHugh, president said the expansion program is one of the largest in the company's history and \$20,000,000 more than the 1951 total.

Pacific Gas & Elec. to Build \$80,000,000 Plant

PACIFIC GAS & ELECTRIC CORPORATION announced plans to locate a new \$80,000,000 steam-electric generating station on the south shore of the San Joaquin river in Contra Costa county, west of Pittsburg, California.

The new plant, which will have four 150,000 kilowatt generating units, will be the largest power station in California, according to James B. Black, president. It is the 10th plant to be erected by the company since the end of World War II. Each of the four generators, which have been on order since last April, will be larger than any now on the system.

The new plant carries the company's expansion program forward another year. It brings its postwar construction expenditures to more than \$1,000,000,000 and its power capacity to 2,406,630 kilowatts.

G-E Launches Water Supply Program

A VISUAL program designed to make Americans aware of the growing threat of water shortages and to enlist support behind community water works projects has been announced by the General Electric Company.

Latest in the company's More Power to America series, the program features a 25-minute, full-color, sound motion picture, "Pipeline to the Clouds."

Dramatizing the importance of water to the individual and his community, the 16 mm. film outlines the need for immediate action to combat potential shortages and to assure safe, adequate supplies. The motion picture was produced by the Raphael G. Wolff Studios of Hollywood with the technical assistance of the American Water Works Association and the United States Public Health Service.

Other important elements of the program are a 40-page manual, "Good Water—And Plenty Of It," and a four-page audience hand-out entitled, "Wonders of Water."

The manual, prepared with the assistance of the American Water Works Association, is

(Continued on page 38)

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aimed at helping water works men, other municipal officials, and civic leaders in showing their communities the urgency of the water supply situation.

The pamphlet, "Wonders of Water," presents startling and little known facts about water supply, and emphasizes the role of the individual citizen in water works improvements.

Program kits, containing a print of the film, five copies of the manual and 200 pamphlets, are available at the reproduction cost of \$170 to industrial and civic organizations wishing to conduct campaigns to improve local water supply conditions.

Johns-Manville Appointment

EDWARD A. PHOENIX of West Redding, Connecticut, has been appointed to the newly created post of manager of the market surveys department for Johns-Manville Corporation, it was announced by W. R. Wilkinson, vice president for sales.

The primary objective of the new department is to assist in plans for the market development of all Johns-Manville products and to study and analyze markets and methods of distribution, new businesses, new product lines, and other related problems.

Mr. Phoenix, who has been assistant manager of the transite pipe department, joined Johns-Manville in 1915 and has held various positions of sales, sales engineering, and sales promotion responsibility in the company.

Protective Lighting Booklet Offered by Westinghouse

COMPLETE plans for outdoor industrial lighting are provided in a 24-page booklet, "Light for Plant Safety and Security," available from the Westinghouse Electric Corporation.

Stressing that protective lighting is good productive lighting, the booklet sets forth four principles: (1) discourage attempts at entry; (2) make detection certain if entry is attempted; (3) aid the guard and hinder the intruder; and (4) provide complete reliability.

Application suggestions and techniques are given, such as the lighting of isolated fence boundaries, building-face boundaries, water front boundaries, and industrial thoroughfares.

For a copy of booklet B-4791, write the Westinghouse Electric Corporation, Box 2099, Pittsburgh 30, Pennsylvania.

North American Coal Corp. Acquires Rail & River Coal

THE North American Coal Corporation, Cleveland, Ohio, through its president, Henry G. Schmidt, recently announced acquisition of The Rail & River Coal Company from Canadian National Railways.

The acquisition of this property will increase North American's coal production to more than 6,000,000 tons annually, making the company one of the ten largest commercial coal producers in the United States.

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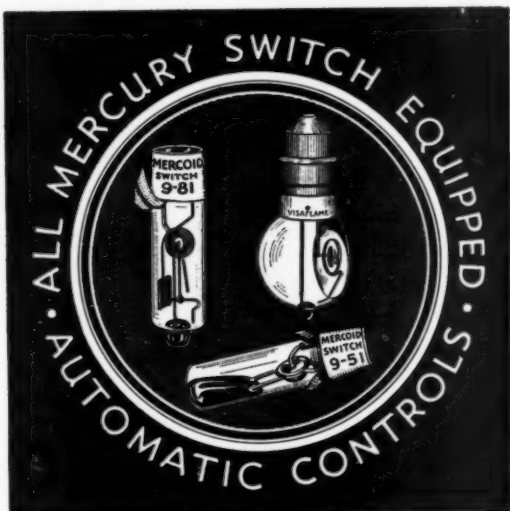
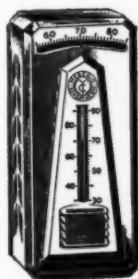
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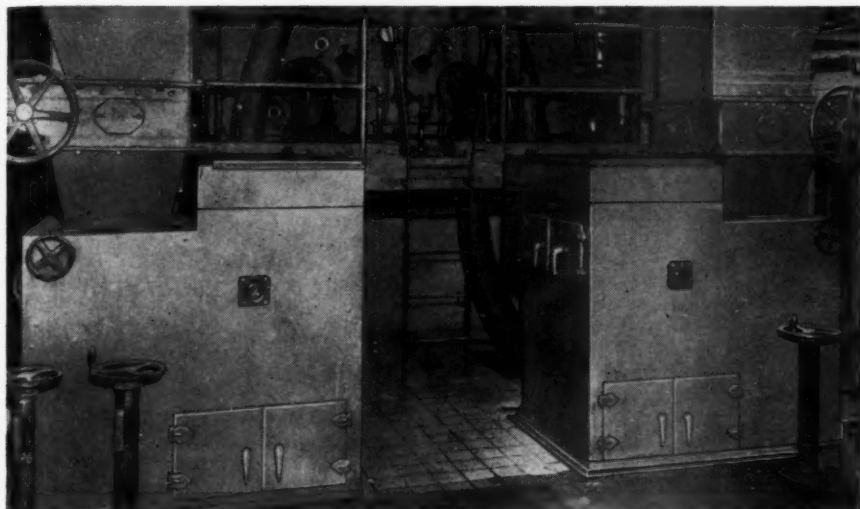
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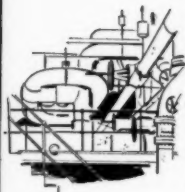
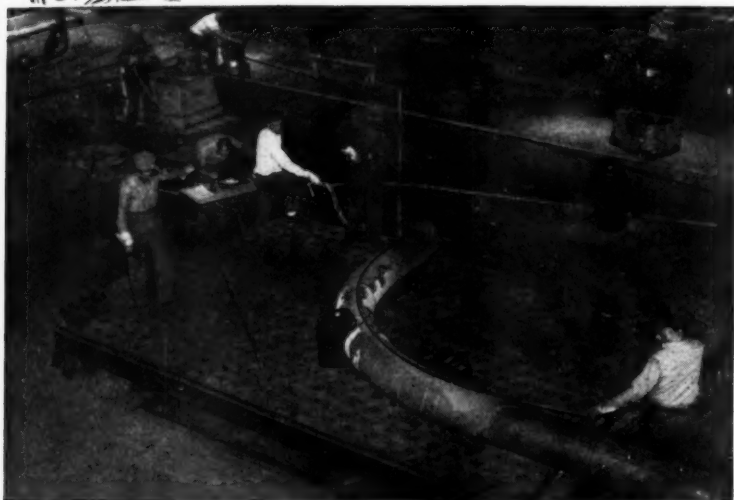
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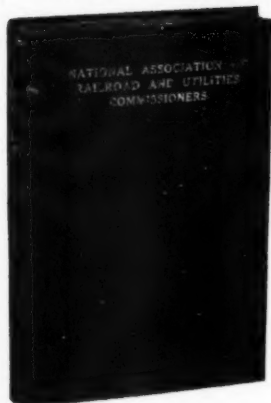
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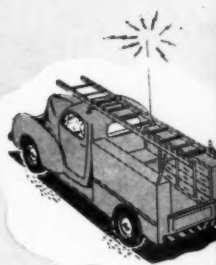
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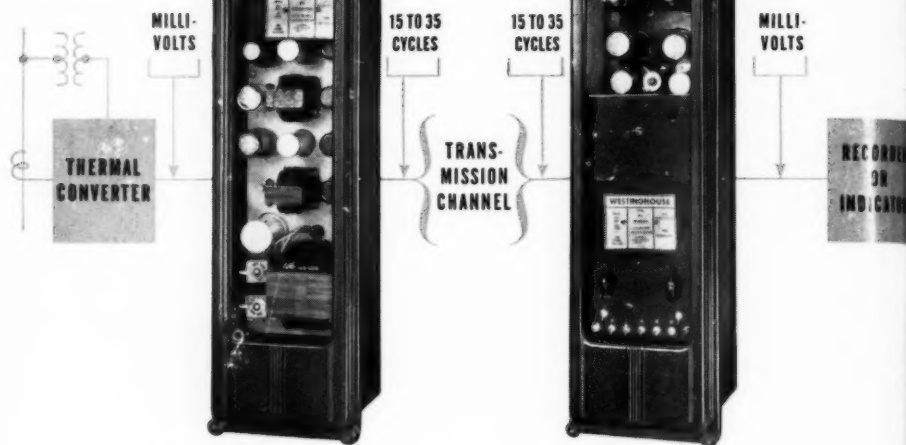
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